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July 19, 1978

Review of the Operations of the SF Housing Authority

Honorable Dianne Feinstein, President and
Honorable Quentin L. Kopp, Chairman and
Members of the Finance Committee
Board of Supervisors
Room 235, City Hall
San Francisco, California 94102

Dear Madam President, Mr. Chairman and Members:

Transmitted herewith is our management audit report on the operations of the San Francisco Redevelopment Agency (SFRA) and the San Francisco Housing Authority (SFHA). This audit is made pursuant to the request of the President of the Board of Supervisors to investigate the feasibility of consolidating the functions of the SFRA and the SFHA, and pursuant to the request of the Board's Finance Committee to review, analyze and monitor Community Development-funded programs. The President of the Board of Supervisors has proposed legislation (File No. 89-77-1 pending in the Planning, Housing and Development Committee) concerning a consolidation of the SFRA and the SFHA functions.

Neither the SFRA nor the SFHA are City and County departments. Rather, they are separate legal entities, under State and Federal laws, authorized by prior legislative action of the Board of Supervisors. Though both agencies receive the majority of their funding from the U. S. Department of Housing and Urban Development (HUD), Community Development (CD) funds, Comprehensive Employment and Training Act funds (CETA), and Federal Public Works funds are presently allocated to the SFRA and the SFHA through the Mayor and the Board of Supervisors of the City and County of San Francisco.

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The SFRA was established in 1948 for the purpose of improving the environment of the City through the removal of blight and the promotion of sound development. The SFRA is governed by a 7-member Commission appointed by the Mayor and confirmed by the Board of Supervisors. San Francisco has nine redevelopment areas in various stages of development and three additional projects in the preliminary survey and planning stage. As of December 31, 1977, a total of $237.7 million in Federal grants had been made to the SFRA. Currently, the SFRA has a budgeted administrative staff of 182 positions, 38 craft positions and 50 CETA positions for a total work force of 270 employees.

We found that the SFRA is a well-managed, effective organization which has been generally successful in carrying out the City's policies in providing housing for low and moderate income citizens. We have identified two management deficiencies in the Redevelopment Agency which are noted as follows:

- The relocation workload does not justify the large administrative staffs at the Hunters Point and Western Addition Project Area Offices. Consolidation of the relocation staffs in the SFRA's Central Office will allow the reduction in unnecessary staff expenses of at least $300,000 annually. Subsequent to the field work completed by the Bureau of the Budget, the SFRA has reportedly reduced its unnecessary staff.

- SFRA expenditures in excess of $160,000 annually to finance the Western Addition Project Area Committee (WAPAC) are unneeded and are no longer required by HUD regulations or State law.

The SFHA was established in 1938 to provide decent, safe and sanitary housing for families who cannot afford standard private housing. The SFHA is governed by a 7-member Commission, two of whom are tenants of the SFHA. All seven of the Commissioners are appointed by the Mayor without confirmation by the Board of Supervisors. The SFHA has the responsibility for the construction, development and administration of federally subsidized low-rent public housing projects in San Francisco. Currently the SFHA owns and operates 43 housing projects containing 7,132 dwelling units. The addition of leased housing results in a total operation of approximately 9,100 units of housing. The SFHA has a budgeted administrative staff of 188 positions, 162 craft positions, 59 other budgeted positions and approximately 200 CETA positions for a total work force of over 600 employees.

We found that the SFHA is a poorly managed agency and due to many management deficiencies has not been successful in constructing, managing and maintaining low income housing units. These specific deficiencies are enumerated as follows:

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- The SFHA wage and benefit rates for 162 craft employees are budgeted at approximately 31% in excess of the San Francisco City and County rates for comparable craft classifications. As a result, the SFHA budgets excessive wages and fringe benefits of approximately $1 million annually. While wages have been frozen since 1976, the SFHA continues to budget funds for salaries and fringe benefits of $1 million in excess of City and County rates. Actual salaries and fringe benefits currently being paid by the SFHA are in excess of the City and County rates by $638,668 annually. Further, the SFHA uses high paid construction craft classifications for work that could be accomplished by lower paid general maintenance classifications. This results in the incurrence of additional excessive wages. For example the SFHA uses the construction union classification "laborer", with budgeted salaries between $18,408 and $18,636 annually, for 67 employees who sweep grounds and clean vacant apartments. Rather than employing "laborers" earning over $18,000 annually, Oakland and Fresno employ "groundspersons" earning $11,000 to $12,000 annually or general maintenance employees earning $9,000 to $16,000 annually.

- These excessive craft wage and benefit rates and the improper use of craft classifications result in an average maintenance cost for SFHA apartments of over $50 per dwelling unit per month. Yet, despite such costs, SFHA properties are in a state of disrepair. The SFHA has reported to HUD that its current deferred maintenance totals approximately $50 million.

- Mismanagement on the part of the SFHA has resulted in the loss of $2.8 million in HUD funds to construct 60 units of scattered site public housing in the Western Addition. Another $2.4 million has been lost through inflation cost increases in the Target Projects Program between 1976 and 1978 since timely action by the SFHA to accomplish the actual modernization was not taken. Additionally, in April 1977 the SFHA requested that HUD allow, without any reduction in the HUD-approved budget of $14.5 million, a reduction from 1,129 to 471 in the number of apartment units to be modernized under the Target Projects Program. HUD officials did not consider this the prudent use of Federal funds and rejected the SFHA's request which would have resulted in modernization expenditures of over $30,700 per apartment unit. Using Community Development funds, the SFHA has completed the modernization of only 30 TPP units of the planned 1,129 at an average cost of approximately $45,000 per dwelling unit.

- Audits of the SFHA local funds have not been conducted as required by State law. While the SFHA has approximately $250,000 of local monies, maintained in a Miscellaneous Fund, the last completed audit of this Fund was for the 10 months ended July 31, 1973. Audits of this Miscellaneous Fund are required by State law since this Fund is not subject to an audit by HUD. Further, pertinent budget data is not made available to Operating Managers.

- Although the SFHA owes $1 million to the City and County of San Francisco for payments in lieu of taxes, the SFHA has refused to convey these funds to the City. If the SFHA were to comply with its Annual Contributions Contract with HUD, the City would receive annual revenues of approximately $200,000 from the SFHA and $1 million for obligations from prior years. The liquid reserves of the SFHA are sufficient to the extent that these obligations could be paid without resulting in any service reductions to the SFHA residents.

- The SFHA has not collected its delinquent rents in a business-like manner. In February, 1978 these delinquencies totalled $901,743. The SFHA's delinquent losses per unit per month exceed the comparable losses of Los Angeles and Sacramento by 348% and 217% respectively. The SFHA's write off of delinquent accounts has been approximately $200,000 annually for the last three years from the 7,132 dwelling units owned and operated by the SFHA. In comparison, the Housing Authority of Los Angeles wrote off $47,333 in 1976 from its 8,609 dwelling units. Recently supplied data from the SFHA for the period subsequent to February 1978 indicates a slight improvement in the collection of delinquent rents.

- Although the SFHA spends in excess of $600,000 annually to purchase materials and supplies, the SFHA does not have adequate control over its materials and supplies inventory. In a random sample taken by the Bureau of the Budget of 30 vendor invoices in 1977, approximately 55% of these invoices lacked the formal or informal bids as prescribed by HUD.

- The salaries paid to the executive staff of the SFHA appear to be excessive. The annual salaries of the Executive Director, Deputy Executive Director, Assistant Executive Director, Controller, and the Chief of Finance are $52,598, $45,448, $43,316, $42,120 and $30,966 respectively. Additionally, the SFHA pays its executive staff cash automobile allowances. The source of these cash allowances, which amount to $3,696 annually for the Executive Director and $2,700 annually for four other executives, is from the SFHA's Miscellaneous Fund which is comprised of local funds not subject to HUD audit. Although the SFHA advised that a recent salary survey has been conducted, the SFHA Executive Director advised that this study could not be released until the SFHA Commission had approved such release.

- The executive staff and the commissioners of the SFHA expended over $43,000 for out-of-town travel in 1977 including $21,853 in excess of the HUD-approved travel budget. Such excess amounts are paid from the Miscellaneous Fund which is not subject to HUD audit. Based on travel costs of other housing authorities, such as the $15,000 for Sacramento and the $10,300 for Oakland in 1976-77, the SFHA travel costs are excessive. The SFHA authorized 93 individual trips in 1977 to 27 cities including 18 outside of California. It is questionable as to how much benefit has been derived from this travel.

- The SFHA does not use competitive exams or a merit system for employment or promotion of its maintenance employees which constitute about 40% of all of the SFHA employees.

We conclude that the SFHA and SFRA would more appropriately be consolidated under the administration of the Chief Administrative Officer (CAO). Consolidation under the CAO would improve the coordination of Community Development activities and allow the elimination of approximately $1 million annually in duplicated expenses. Pursuant to State law, the Board of Supervisors should create a Community Development Agency responsible for all redevelopment and housing activities. Consolidating both agencies into a single Community Development Agency under the administrative auspices of the CAO would create a clear line of responsibility from the agency director through the CAO to the policy making authorities of the Board of Supervisors and the Mayor. A Community Development Committee could be created. This Committee could be advisory in nature to the Mayor, the Board of Supervisors and the CAO on housing and redevelopment matters.

Our report contains the following specific recommendations:

Recommendations To Be Implemented By The SFRA

- Transfer the relocation staff from the site offices to the Central Office and reduce such staff from 22 to 8 positions. (If the SFRA and SFHA are combined as recommended below, these 14 positions could be retained) The SFRA has reported, subsequent to completion of our field investigation, that this recommendation has been implemented.

- Terminate the funding for WAPAC.

Recommendations To Be Implemented By The SFHA

- Budget craft employees at the same hourly wage rates and the same fringe benefit rates as are paid by the City and County of San Francisco.

- Establish realistic goals and objectives consistent with available resources.

- Insure that all required audits be conducted in a timely manner and that budgets be provided to Operating Managers.

- Pay the $1 million owed to the City and County for payments in lieu of taxes and establish a policy for making annual payments of $200,000 for these obligations in future years.

- Establish and adhere to a rent collection policy which would require the eviction of tenants whose rents become 90 days delinquent.

- Adhere fully to HUD purchasing policies and implement procedures necessary to improve the internal controls over the material and supplies inventory.

- Discontinue payments of cash automobile allowances to the executive staff.

- Authorize only those travel expenditures as approved in the budget submission to HUD.

- Implement a system of hiring and promotion for maintenance employees based on open, competitive examinations.

Recommendations To Be Implemented By The Board of Supervisors

- Declare itself to be the Community Development Commission and thereby create, by ordinance, a Community Development Agency and combine the SFRA and the SFHA under the administration of the Chief Administrative Officer. This recommendation should be implemented in compliance with all State law and Charter requirements.

- Request the Civil Service Commission to conduct an independent classification and pay study of the SFHA.

Recommendation To Be Implemented By The Mayor and the Board of Supervisors

- The Mayor should appoint a Community Development Committee subject to confirmation by the Board of Supervisors. This Committee should be advisory in nature to the Mayor, the Board of Supervisors and the CAO on housing and redevelopment matters. This recommendation should be implemented in compliance with all State law and Charter requirements.

The proper implementation of the recommendations contained in our report will result in estimated reduced expenditures and increased revenues of $3.7 million annually, and estimated one-time increased revenues to the City and County of $1 million. This savings could be used to finance other needed Community Development programs in San Francisco. A recapitulation of these savings is shown on pages 8 and 54 of the report including the savings which would result from the elimination of the SFHA Executive Director position and 28 other SFHA positions if the SFRA and the SFHA are combined. The recommendations will also result in other benefits as specified in our report.

Written responses to our report from the SFRA, the SFHA and the CAO are contained on pages 75, 79, and 128 respectively.

Respectfully submitted,

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INTRODUCTION

Pursuant to the request of the President of the Board of Supervisors to investigate the feasibility of consolidating the functions of the San Francisco Redevelopment Agency (SFRA) and the San Francisco Housing Authority (SFHA), and pursuant to the request of the Board's Finance Committee to review, analyze and monitor Community Development funded programs, the Bureau of the Budget has conducted a management audit of the Redevelopment Agency and the Housing Authority. The President of the Board of Supervisors has proposed legislation (File No. 89-77-1 pending in the Planning, Housing and Development Committee) concerning a consolidation of the SFRA and the SFHA functions.

Neither the SFRA nor the SFHA are City and County departments. Rather, they are separate legal entities, under State and Federal laws, authorized by prior legislative action of the Board of Supervisors. Though both agencies receive the majority of their funding from the U. S. Department of Housing and Urban Development (HUD), Community Development (CD) funds, Comprehensive Employment and Training Act funds (CETA), and Federal Public Works funds are presently allocated to the SFRA and the SFHA through the Mayor and the Board of Supervisors of the City and County of San Francisco.

Background and Budget Data

San Francisco Redevelopment Agency (SFRA)

The United States Housing Act of 1949 authorized the urban renewal programs which provide Federal aid to cities undertaking the redevelopment or rehabilitation of blighted and deteriorating neighborhoods under pre-approved plans. The San Francisco Redevelopment Agency, incorporated August 10, 1948, was established for the purpose of improving the environment of the City through the removal of blight and promotion of sound development. Also, the Redevelopment Agency has as a fundamental purpose the expansion of the supply of low and moderate-income housing. The Agency is precluded from using HUD funds for actual construction of housing. SFRA operates only in designated project areas and reaches its objectives by clearing pockets of blight which are beyond repair, retaining that which is structurally sound, replanning and attracting developers with good urban design to rebuild. Under the provisions of the Community Redevelopment Law of California (Part 1, Division 24 - Health and Safety Code), the Agency is a legal entity separate from the City and County of San Francisco.

In 1948, the Board of Supervisors brought the Redevelopment Agency into existence by a resolution which stated the need for such an Agency to function and carry out redevelopment activity in project areas and under plans officially approved by the Board of Supervisors. The Agency is governed by a commission of seven members who are appointed by the Mayor and confirmed by the Board of Supervisors. Under the Community Redevelopment Law, the members are appointed for four years with overlapping terms They select their own chairman on an annual basis and are empowered to appoint a Director, Secretary, and such other staff as may be required to carry out the Agency's functions.

San Francisco has nine redevelopment areas in various stages of development and three additional projects in the preliminary survey and planning stage. As of December 31, 1977, a total of $237.7 million in Federal grants had been made to the San Francisco Redevelopment Agency. Currently, the Redevelopment Agency has a budgeted administrative staff of 182 positions, 38 craft positions and 50 CETA employees for a total work force of 270 employees.

The Federal Government administers urban renewal and housing programs through the U.S. Department of Housing and Urban Development (HUD). The Community Development Act of 1974 provides for a single Community Development (CD) Block Grant application from each city which is the primary funding source for the SFRA. In 1978 the City will receive $26.1 million in CD funds of which the Mayor and the Board of Supervisors have allocated $12.4 million to the SFRA. In addition to the $12.4 million in CD funds, the Redevelopment Agency 1978 budget included $9.5 million of unexpended Federal grant funds for a total budget of $21.9 million in 1978. The Redevelopment Agency has a total 1978 administrative budget of $5,681,793.

San Francisco Housing Authority (SFHA)

The United States Housing Act of 1937 as amended authorized the Federal Government to carry out an assistance program for low-rent public housing. The basic purpose of the public housing program is to provide decent, safe and sanitary housing for families who cannot afford standard private housing. State law has established local housing authorities as independent legal entities to develop, own, and operate public housing units (Part 2, Community Redevelopment and Housing Laws of the Health and Safety Codes of California).

In 1938, the Board of Supervisors brought the Housing Authority into existence by a resolution which stated the need for such an agency to function. The Housing Authority operates under the authority of seven Commissioners, two of whom are tenants of the Housing Authority; all seven Commissioners are appointed by the Mayor without confirmation by the Board of Supervisors.

The San Francisco Housing Authority (SFHA) has the responsibility for the construction, development and administration of federally subsidized low-rent public housing projects in San Francisco. Currently the SFHA operates 43 housing projects containing 7,132 dwelling units.

The Federal Government administers housing programs through the U.S. Department of Housing and Urban Development (HUD) which financially assists the SFHA by making loans for developing new housing projects. Although the SFHA has not built any new projects since 1974, HUD has allocated funding for approximately 200 units of new housing construction in 1978 to the SFHA.

In addition to assisting new housing project development, HUD makes an annual payment to SFHA according to contract. The annual payments finance the debt service, principal and interest on bonds and notes sold by the SFHA, and also provide operating subsidies for housing units developed by the SFHA. For the conventional low rent public housing program in San Francisco, HUD provided operating subsidies for FY 1977-78 totalling $7.7 million. This total was over 50% of SFHA budgeted expenditures of $13.8 million for 7,132 low-rent owned and operated public housing units. HUD provides operating subsidies to the SFHA based on a national performance funding system, a formula which considers various building characteristics such as age and height ar bedroom size. The SFHA's other revenue is derived from rents of $5.9 million collected from low income tenants and $.2 million in interest and other income.

In addition, the Housing Authority has two leased housing programs: One under Section 23 (of the United States Housing Act of 1937 as amended) has $2.3 million (1976-77) budgeted for 975 Housing Authority leased dwelling units and the other under Section 8 (of the United States Housing Act of 1937 as amended) has a HUD allocation of $2.3 million for rental subsidies (1976-77) budgeted for 981 leased housing units. These leased housing units when added to the 7,132 units of housing owned by the SFHA brings the total units managed to approximately 9,100.

In FY 1977-78, SFHA has an allocation of only $1.6 million for Section 23 housing which is being phased out by HUD. Section 8 leased housing subsidies are expected to be increased to maintain at least the same level of leased housing units. Besides its operating programs, the Housing Authority has responsibility for a major capital improvement program called the Target Projects Program (TPP); this program includes $15 million in HUD modernization funds and Community Development (CD) Block Grant funds for the rehabilitation of 1,129 dwelling units at Hunters Point.

Since 1974, the Housing Authority has been allocated approximately $1 million of CD funds annually for rehabilitation work from the City and County of San Francisco. Additionally the Housing Authority has received grants through its own application or through the City and County. These grants include $1,122,656 from San Francisco's share of 1977 Local Public Works Act funds, a share of San Francisco's Economic Development Administration (EDA) grant for sewer and water system construction, and a $783,000 share of San Francisco 1977 Public Works Title II funds.

The San Francisco Housing Authority has 409 budgeted positions for FY 1977-78: 188 administrative positions, 14 Tenant Social Services positions, 35 Police and Security Guards positions, and 172 Maintenance positions including 162 Craft workers. In addition, the Housing Authority has received an allocation of approximately 200 CETA positions, for a total workforce of over 600 employees.

Summary

In conducting this management audit, commissioners, employees, tenants and management personnel of the San Francisco Redevelopment Agency, the San Francisco Housing Authority, U. S. Department of Housing and Urban Development and other agencies were contacted. All persons contacted cooperated fully with our audit.

We found that the Redevelopment Agency is a well managed, effective organization which has been generally successful in carrying out the City's policies in providing housing for low and moderate income citizens. We have identified two management deficiencies in the Redevelopment Agency, which are identified in the following pages of our report.

We found that the Housing Authority is a poorly managed agency and due to many management deficiencies has not been successful in constructing, managing and maintaining low income housing units. These specific deficiencies are enumerated in later sections of this report.

We conclude that housing and urban renewal services can be delivered more efficiently, effectively, and more economically with a combined Community Development Agency placed under the administration of the City's Chief Administrative Officer.

The proper implementation of our recommendations will result in reduced expenditures and increased revenues of an estimated $3.7 million annually and one-time increased revenues to the City and County of $1 million as shown in the following table:

RECAPITULATION OF NET ESTIMATED SAVINGS RELATING TO THE FINDINGS IN THIS REPORT

	Net Annual Savings	One-Time Savings
Redevelopment Agency		
Relocation Staff	(1)	-
Project Area Committee	$ 160,000	-
Housing Authority		
Financial Management	*	
Payments in Lieu of Taxes	$ 200,000**	$1,000,000**
Rent Collections	150,000	-
Purchasing	*	
Craft Wages	1,000,000	-
General Maintenance Class	*	-
Merit System	*	-
Travel	20,000	-
Construction Management	1,200,000	-
		-
Combined Agency		
Elimination of Staff Duplication and rental of office space	$1,000,000	-
Total	$3,730,000	$1,000,000**

*These costs and savings are undetermined.

**Revenue for the City and County of San Francisco.

(1) If SFRA and SFHA are not combined, an additional savings from this staff, of $300,000 annually could be realized. The SFRA has reportedly implemented this recommendation. (see page 16).

These savings could be used to finance other needed Community Development programs in San Francisco.

The report recommendations will also result in other benefits as specified in the following pages.

THE REDEVELOPMENT AGENCY IS A WELL-MANAGED, EFFECTIVE ORGANIZATION WHICH HAS BEEN GENERALLY SUCCESSFUL IN CARRYING OUT THE CITY'S POLICIES IN PROVIDING HOUSING FOR LOW AND MODERATE INCOME CITIZENS.

The Redevelopment Agency has complex urban development, property management, and social services responsibilities. Throughout the planning and execution of urban renewal projects, the Agency works with citizens and neighborhood citizens groups.

Upon request by the City Planning Commission, the Redevelopment Agency or any other group or individual, the Board of Supervisors may declare an area suitable for study to determine whether it is blighted, and therefore appropriate for urban renewal. This process begins the planning and survey stage of an urban renewal project area.

In the processes of urban renewal, the Redevelopment Agency has the following responsibilities:

1. Working with citizens, the Redevelopment Agency staff prepare renewal plans. The basic redevelopment plan includes relocati plans, analysis of environmental impact and a financing plan, as required by State and Federal law.

2. The Agency staff submits plans for approval to City Planning, the Redevelopment Agency Commission, the Board of Supervisors and HUD.

3). The Agency real estate staff buys property designated for acquisition.

4). The Agency manages and maintains acquired property, including residential, commercial and vacant lots.

5). The Agency rehabilitation division assists in the rehabilitation of properties to be retained.

6). By providing counseling and referral services, the Agency relocation-rehousing staff relocates on a temporary or permanent basis, households and businesses to be displaced. In addition, relocation staff administer the payment of relocation claim benefits to those eligible under the U.S. Uniform Relocation and Real Property Acquisition Act of 1970.

7). The Agency clears sites for new construction,

8). Agency engineering staff designs and manages construction of new streets and utilities or other site improvements.

9). The Agency provides ongoing staff services of architectural design review, housing management advice and assistance and monitoring of affirmative action programs for developers and contractors.

10). The Agency disposes of sites to developers and government agencies for rehabilitation or new public and private construction.

Financial Management

The financial management system and procedures are adequate to maintain separate accountability for funds from various sources, to provide management information and to satisfy all reporting responsibilities.

Audits have been performed by HUD of categorical programs and these audits have not always been as timely as would be desirable. The most recent audit of July 28, 1976 reviewed the operations for the 30 months ended September 30, 1975. Community Development Block Grant (CD) funds which now constitute the major source of funding for the Redevelopment Agency are audited by independent accountants engaged by the City. Audits of the Redevelopment Agency have been very favorable and deficiencies have been explained or corrected.

The Redevelopment Agency has obtained funds from HUD for Payments In Lieu of Taxes (PILOT) and has regularly remitted PILOT payments to the City.

The Redevelopment Agency has individual project budgets and administrative budgets broken out for each site office and for the manager of each major functional area in the main office. These administrative budgets are used as planning tools in the development of the total budget and throughout the year by Agency staff.

Personnel Management

Redevelopment Agency administrative practices and procedures indicate a high level of professional public personnel management. Interviews and review of records and policies generally show a solid merit system of hiring and promotion for all positions, the start of a carefully planned formal training program, and the adoption of the City's wage rates. Bureau of the Budget staff interviewed 38 of 50 CETA (Comprehensive Employment and Training Act) employees, and concluded that the Agency CETA program is basically a well managed program without violations of the CETA regulations or contract.

Strategies and Objectives

The Redevelopment Agency Commissioners and Executive staff have a system of strategy and policy formulation and dissemination and are working to improve that system. Agency managers have successfully executed the redevelopment plans and proceeded to implement physical development activities (see Appendix I). Agency procedure handbooks for managers are effective methods used by the Agency to disseminate management decisions and policies.

The Redevelopment Agency has been successful in fulfilling its goals under the Housing Assistance Plan (HAP) both in terms of completing the rehabilitation of existing units and working with developers to facilitate the construction of new units of housing for low and moderate income people (see Appendix II).

CONCLUSION

The San Francisco Redevelopment Agency is well managed, with the exception of the deficiencies which follow this section.

THE RELOCATION WORKLOAD DOES NOT JUSTIFY THE LARGE ADMINISTRATIVE STAFFS AT HUNTERS POINT AND WESTERN ADDITION PROJECT AREA OFFICES. CONSOLIDATION OF THE RELOCATION STAFFS IN THE CENTRAL OFFICE WOULD ALLOW THE REDUCTION IN UNNECESSARY STAFF EXPENSES OF AT LEAST $300,000 ANNUALLY.

For the fiscal year (FY) ending 9/30/77, administrative staff costs were $391,940 at Western Addition and $119,235 at Hunters Point. Relocation benefit claims* paid during this time were $431,808 and $57,975 respectively. In Western Addition administrative expenses were 90.8% of the benefits disbursed and in Hunters Point administrative expenses were 205.7% of the amount of relocation benefit claims paid. HUD FY 1975 and FY 1976 statistics nationwide indicate the costs for adminstrative services related to relocation benefits paid have been 16% and 17% of the amount of benefits paid. Costs for Yerba Buena Center Project (YBC) relocation, administered through the Redevelopment Agency Central Office, have been far less than site offices. YBC administrative expenses were 22.8% of the amount of benefit claims paid. HUD reports for the periods prior to FY 1976 indicate that San Francisco Redevelopment Agency administrative costs for Western Addition and Hunters Point projects were approximately 20% of the benefit claims paid.

There are 14 positions at the Western Addition project office and the 8 positions at the Hunters Point project office involved in relocation, property management, and supporting social services. Based on the assumption that the San Francisco Redevelopment Agency administrative costs should not exceed twice the national

(*See Appendix III for description of relocation function)

average, and based on prior year claims paid, (1978-79 should have less relocations), staff can be reduced to 2 relocation workers assigned to the Western Addition workload and 1 for the Hunters Point relocation claims. This staff should be located at the Central Office.

We do not accept the Redevelopment Agency's contention that staff is necessary for "task force" review of earlier claims paid, including a review of old case files. HUD regulations (Section 42.60 (b)) do not allow payment for any relocation benefit claim unless it is submitted to the agency within a period of 18 months after displacement of a claimant.

HUD does not require that the Redevelopment Agency seek out any and all claimants who failed to receive benefits or were paid too little benefits several years ago. Though HUD does allow the local agency to waive the 18 month limitation on benefit claims if an individual can show "good cause," there is no requirement to devote administrative resources to seeking out persons relocated years ago.

CONCLUSION

San Francisco Redevelopment Agency relocation administrative costs are excessive at the project site offices.

We recommend that the Redevelopment Agency transfer its relocation staff from the site offices to the Central Office and reduce the number of staff by 14 from 22 to 8 positions. As a result of fieldwork and recommendations of the Bureau of the Budget, all unnecessary relocation staff has reportedly been reduced at these site offices.

SAVINGS/BENEFIT

Implementation of this recommendation would result in reduced personnel costs by at least $300,000. As noted in a subsequent report section, if the SFRA and SFHA are combined, then these savings would be realized in the form of additional services.

EXCESS OF $160,000 ANNUALLY TO FI-
NANCE THE WESTERN ADDITION PROJECT
AREA COMMITTEE ARE UNNEEDED AND ARE
NO LONGER REQUIRED BY HUD REGULATIONS
OR STATE LAW.

Federal aid to cities through the U.S. Department of Housing and Urban Development has strict requirements for active citizen participation. Under State law and HUD regulations, all urban renewal projects which involve residential rehabilitation must establish a Project Area Committee (PAC) to give representation to project area residents and allow them a voice in urban renewal policy decisions affecting their neighborhoods. PACs require time for review and recommendations in selection of developers, planning for housing developments and selection of consultants. Agency staff have estimated that PACs add at least one full year to each project's duration. The Agency has taken the position that the additional time necessitated by such citizen participation increases resident understanding and support of the project.

For 1977, the Western Addition Project Area Committee (WAPAC) received a budget of $125,000 including travel expenditures of $8,507. WAPAC's 1978 budget was $160,558 for the period 2/1/78 to 12/31/78, 11 months. The Bayview-Hunters Point Joint Housing Committee, the project area committee for the Hunters Point Project Area, received a budget of $88,375 for the period January 1, 1978 through December 31, 1978, 12 months. Joint Housing received $75,582 in 1977 as its Community Development budget. The total budgets for these two agencies exceeds $200,000 per year.

PACs are not required beyond a three year period after the adoption of the redevelopment plan subject to one year extensions by the Board of Supervisors (Section 33386 of the Health and Safety Codes). Since the Western Addition A-2 Redevelopment Project was approved in 1964 and began in 1966 and the Hunters Point Project was approved in 1969, with funds becoming available that year, the respective community PACs appear to have had the necessary time for understanding and input into the redevelopment plans and execution of those plans.

HUD has previously questioned the need for WAPAC's continued funding. On the basis of the planned redevelopment in the Bayview-Hunters Point area, a need may still exist for the Bayview-Hunters Point Joint Housing Committee.

CONCLUSION

The Redevelopment Agency has contributed more than $160,000 annually to support staff, materials, and travel expenses for the WAPAC. WAPAC is no longer required by law, and the residents of Western Addition have had more than ample time for necessary understanding and input to the redevelopment plans for this community.

RECOMMENDATION

We recommend that funding for WAPAC be terminated and that these funds be used for direct project implementation.

SAVINGS/BENEFIT

The savings for elimination of funding for WAPAC would be in excess of $160,000 annually.

HOUSING AUTHORITY WAGE AND BENEFIT RATES FOR 162 CRAFT EMPLOYEES ARE EXPECTED AT APPROXIMATELY 31% IN EXCESS OF THE SAN FRANCISCO CITY AND COUNTY RATES FOR COMPARABLE CRAFT CLASSIFICATIONS. AS A RESULT, THE HOUSING AUTHORITY BUDGETS EXCESSIVE WAGES AND FRINGE BENEFITS OF APPROXIMATELY $1 MILLION ANNUALLY. FURTHER, THE HOUSING AUTHORITY USES HIGH PAID CONSTRUCTION CRAFT CLASSIFICATIONS FOR WORK THAT COULD BE ACCOMPLISHED BY LOWER PAID GENERAL MAINTENANCE CLASSIFICATIONS. THIS RESULTS IN THE INCURRENCE OF ADDITIONAL EXCESSIVE WAGES.

In 1971, HUD conducted a thorough management audit of the San Francisco Housing Authority. HUD made recommendations to correct high wage rates and benefits, to explain the type of work which could be accomplished by various classifications, to provide for standard 40-hour work weeks, and to improve the training program for maintenance personnel. The Housing Authority has not corrected these labor problems cited in the 1971 HUD management audit. The Housing Authority at that time justified their actions as being comparable to the policy of the City of San Francisco.

Craft Pay

The passage of the Charter Amendment, Proposition "B" in November 1975, abolished the special "craft pay" provisions which had previously mandated the City to pay its craft employees at the private construction union wage rates and benefit rates. In 1976-77, pursuant to Proposition "B" the City and County of San Francisco reduced compensation of "craft employees." The most convincing argument for Proposition "B" was:

"The SF hourly rates are high, since workers in private industry cannot expect full employment during the year. Other public jurisdictions pay less, since they offer year-round employment and job security. Our crafts workers have had the best of both worlds." These same arguments are equally true for the Housing Authority.

The Housing Authority did not adjust its "craft worker" pay policy to conform with the City's policy subsequent to the passage of Proposition "B".

The 1977-78 San Francisco Housing Authority budget has the following 162 craft positions with total annual salaries of $3,176,282:

Crafts	SFHA Budgeted Hourly Wages	Hours Worked Per Week	Weekly Wage	Annual Wages	No. of Full-time Staff
Plumber Foreman	$ 14.29	35	$500.15	$26,007.80	2
Plumber Journeyman	13.28	35	464.80	24,169.60	11
Carpenter Foreman	13.48	36	485.28	25,234.56	1
Carpenter Journeyman	12.37	36	445.32	23,156.64	10
Electrician Foreman	17.11	35	598.85	31,140.20	1
Electrician Journeyman	15.17	35	530.95	27,609.40	3
Glaziers	12.35	36	444.60	25,119.20	5
Lino-Layers	11.50	40	460.00	23,920.00	3
Laborer Foreman	9.67	40	386.80	20,113.60	8
Laborer II	8.96	40	358.40	18,636.80	27
Laborer I	8.85	40	354.00	18,408.00	40
Heating Engineer Foreman	13.95	35	488.25	25,389.00	1
Heating Engineer Journeyman	13.28	35	464.80	24,169.60	3
Residence Caretaker Foreman	7.16	40	286.40	14,892.40	3
Residence Caretakers	6.23	37½	233.63	12,148.76	22
Paint, General Foreman	14.80	35	518.00	26,936.00	1
Painter Foreman	13.54	35	473.90	24,642.80	2
Painter Journeyman	11.80	35	414.40	21,548.80	19
Grand Total					162

If SFHA craft workers were budgeted at the same wage scale as the 1977-78 City and County of San Francisco Annual Salary Ordinance, the SFHA could save $482,047 in salaries from their 1977-78 maintenance budget. This saving in wage rates would reduce the present 1977-78 maintenance budget from $3,176,282 to $2,694,235.

The SFHA budgets fringe benefits well in excess of City and County benefits. Our analysis of SFHA craft fringe benefits disclosed that the SFHA provides 33.2% (ignoring statutory benefits such as Social Security) in fringe benefits or $1,054,676 annually. The SFHA could realize a savings in fringe benefit cost of $515,829 annually by budgeting the same fringe benefits as are paid by the City and County. If these fringe benefits were calculated on the basis of a reduced wage as described above a total annual saving of $997,876 in budgeted salaries and fringe benefits would result as shown below: (actual salaries and fringes are $638,668 annually in excess of City and County rates)

Recap of Savings

Budgeted SFHA Maintenance Wages, 1978	$3,176,282
Fringe Benefits - 33.2% (Does not include FICA)	1,054,676
SFHA Total Maintenance Wage and Benefit Expense	$4,230,958
SFHA Maintenance Wates at City and County Rates (Same budgeted hours and crafts)	$2,694,235
Benefits - 20% of Wages (City and County - 19.85%)	538,847
Total SFHA Maintenance Wage and Benefit Expense at City and County of San Francisco rates	$3,233,082
Estimated Savings	$ 997,876
Percentage that SFHA wage and benefit rates are in excess of City and County	31%

Incorrect Classification of Maintenance Positions

The SFHA uses the construction union classification "laborer" for 67 employees who sweep grounds and clean vacant apartments. Budgeted salaries in 1977-78 for laborers are between $18,408 and $18,636 annually. The SFHA uses construction craft classifications with related high wages and fringe benefits for work that could be done by less skilled lower paid general maintenance personnel. A review of maintenance employment in other large Northern California Housing Authorities reveals that the San Francisco Housing Authority has the unique labor practice of basing all classifications on building trades union lines of jurisdiction. Oakland, Sacramento, and Fresno employ maintenance mechanics who earn $12,000 to $16,000 annual salaries and very small numbers of skilled craftsmen. Rather than employing $18,000 to $19,000 a year "laborers", Oakland, Sacramento and Fresno employ "groundspersons", who are paid $11-12,000 or general maintenance employees who earn annual salaries of $9,000 to $16,000. A review of 1975-76 and 1976-77 HUD budgets disclosed that San Francisco Housing Authority average salaries for maintenance positions exceed the average salaries for Oakland, Sacramento and Fresno by 43.1%, 52.7% and 99.1% respectively.

An example of the cost of incorrect classifications and the payment of inflated wages and fringe benefits is as follows:

Journeyman plumbers working a 35-hour week cost the SFHA approximately $35,000 each in annual salaries and fringe benefits. However, SFHA plumbers perform some unskilled and semiskilled work, such as replacing faucet washers, repairing stoves, and clearing stopped sinks and toilets which could be performed by the classification of general maintenance mechanics who at other Housing Authorities, earn wages and fringe benefits of approximately $20,000, or $15,000 less per year than the plumbers employed by SFHA.

The 162 budgeted maintenance positions do not include approximately 70 CETA maintenance employees.

Union membership hiring restrictions and pay scales have limited the use of CETA employees to laborer maintenance trainees. If a general maintenance worker classification existed, the Housing Authority could implement a program to train and upgrade the skills of these CETA employees.

These excessive craft wage and benefit rates and the improper use of craft classifications result in an average maintenance cost for SFHA apartment units which exceeds $50 per dwelling unit per month. Yet, despite such costs, SFHA properties are in a state of disrepair. The SFHA has reported to HUD deferred maintenance totalling approximately $50 million. While wages have been frozen since 1976, SFHA continues to budget salaries and fringe benefits of $1 million in excess of City and County rates for these 162 craft employees.

CONCLUSION

By adopting City and County salary and fringe benefit policies, the SFHA could reduce their maintenance salary and fringe benefits expenses for the same number of budgeted maintenance craft hours of employees by $997,876 annually. In addition, general maintenance classifications are needed in order to provide the most cost effective maintenance repair services to Housing Authority tenants. By having such classifications, additional savings would be achieved and could be used to hire additional employees within the current limited budget of the SFHA to reduce the $50 million backlog of deferred maintenance.

RECOMMENDATION

We recommend that the Housing Authority budget its craft employees the same hourly wage rates and the same fringe benefits as are paid by the City and County of San Francisco.

We recommend that the Board of Supervisors request the Civil Service Commission to conduct a classification and pay study of the Housing Authority. This study should include appropriate class specifications and compensation for those performing custodial and general maintenance duties. Although the San Francisco Housing Authority advised that a recent salary survey has been conducted, the San Francisco Housing Authority Executive Director advised that this study could not be released until the San Francisco Housing Authority Commission had approved such release.

SAVINGS/BENEFIT

Implementation of these recommendations will result in reduced expenditures of approximately $1 million annually. Also, the creation of custodial and general maintenance classifications will generate additional salary and fringe benefit savings which in turn will allow the Authority to increase the number of maintenance employees in order to properly maintain SFHA properties.

MISMANAGEMENT ON THE PART OF THE SFHA RESULTED IN THE LOSS OF $2.8 MILLION IN HUD FUNDS TO CONSTRUCT 60 UNITS OF SCATTERED SITE PUBLIC HOUSING IN THE WESTERN ADDITION IN 1976 AND AT LEAST $2.4 MILLION HAS BEEN LOST THROUGH INFLATION COST INCREASES IN THE TARGET PROJECTS PROGRAM BETWEEN 1976 AND 1978.

The Housing Authority's annual salaries for technical program development purposes, including planning, architecture, engineering and construction management are budgeted at $383,890. There are 19 positions which are allocated to this development function. However, the Housing Authority has not constructed any new projects since 1974 nor has made any significant progress on the major rehabilitation program at Hunters Point.

NEW CONSTRUCTION

On October 13, 1964, the Board of Supervisors adopted the Redevelopment Project Plan for the Western Addition A-2 which included 200 units of public housing to be built on scattered sites by the Housing Authority. HUD, the Redevelopment Agency and the Housing Authority devoted considerable staff time to development of the 200 units. HUD set February 16, 1976 as the final action date to begin the first project. This date was almost fifteen years from the beginning of preliminary discussions on the development of these 200 units. The Housing Authority never complied with this deadline. For this nearly 15-year time period, SFHA management did not develop a new scattered site construction program in the Western Addition which was satisfactory to HUD. SFHA states that the delay was the fault of HUD and not due to any mismanagement on their part.

A total of $2,832,166 in HUD funds was set aside for the development of the first 60 of these large family units for low-income families in the Western Addition.

On February 27, 1976 HUD advised the Housing Authority that these funds were no longer available for San Francisco due to lack of progress on the development of these units.

REHABILITATION

In 1975, the Housing Authority requested $14,486,650 from HUD for the Target Projects Program (TPP), a rehabilitation program to modernize 1,129 apartment units at Hunters Point and to demolish 192 units. The technical development administration costs were to be $1,648,356. In April 1976, the San Francisco Housing Authority submitted a revised "scaled down" TPP budget with a "construction management" concept which would have increased the administration portion of the budget from $1,648,356 to $3,153,856. The revised budget included funds for hiring a construction manager, Maison and Associates, for more than $1 million to supervise the bidding and construction.

In June 1976, HUD disapproved the TPP construction manager and HUD approved the $14,486,650 TPP budget as originally submitted by the Housing Authority. The amount of $12,832 per unit was the highest per unit cost for modernization HUD had encountered nationwide. The Housing Authority entered into interim agreements with four architectural firms who proceeded to develop models and schematics with cost estimates which exceeded the approved TPP budget by $6 million.

In April 1977, the Housing Authority requested that HUD allow a reduction in the number of units to be modernized from a planned 1,129 to 471 units, but with no reduction in the approved budget of $14,486,650. HUD has not approved this requested revision to modernize 471 dwelling units using the $14,486,650 of Federal funds, an average of over $30,700 per unit. HUD officials did not consider this the prudent use of Federal funds and rejected this plan.

HUD regulations require competitive bidding on all major TPP reconstruction projects. Without prior HUD approval, the Housing Authority started work on one of the TPP projects, Hunters Point West, Cal 1-17A housing project by force account by hiring staff rather than a general contractor through competitive bidding. "Modernization" of these 30 units at an average cost of approximately $45,000 per dwelling unit was completed in 1978 by the Housing Authority with the use of Community Development Funds.

The Housing Authority has spent two years planning the rehabilitation of 1,129 apartment units and one year modernizing 30 apartment units at a cost of approximately $45,000 for each unit which approximates the construction cost of new single family homes. At least two years of delay on this project have resulted from the Housing Authority's staff's continued planning and replanning of the project and the decision to adopt a"construction management approach" instead of taking timely action to accomplish the actual modernization. This delay has resulted in inflationary construction costs over 18% since HUD approved the TPP budget in June of 1976, an increase in construction costs of over $2.4 million. (Additionally, Housing Authority delays with TPP have had an adverse effect on the Hunters Point Redevelopment.) Such increased costs preclude the modernization of the remaining 1,099 units unless HUD subsequently authorizes additional funds to SFHA for this project.

TPP SOFTWARE PROGRAM

The HUD TPP Program, a national public housing rehabilitation program, required that housing authorities adopt specific goals and objectives (measurable) to correct management deficiencies in order to receive TPP grant funds for construction work.

HUD provided an additional $1,555,000 for the TPP "software" program. Currently, the Housing Authority has 26 budgeted TPP "software" positions (with salaries of $432,786) attempting to provide supporting social services and improve management practices in phase with the TPP physical construction work. However, the Housing Authority has spent in excess of 90% of the $1,155,000 in TPP HUD funds allocated for the TPP software program and less than 3% of the planned physical construction has been completed. HUD required TPP reports show that the San Francisco Housing Authority has not accomplished its TPP objectives; HUD evaluations of TPP state that overall coordination and management of the TPP software program has been inadequate.

CONCLUSION

The Housing Authority has not been successful in planning and in constructing new housing units for low income persons. Indecision and mismanagement has resulted in the failure of SFHA to construct 60 units of scattered site housing in Western Addition which had been approved for funding by HUD. This has resulted in the loss of $2.8 million in HUD funds. Further, at least $2.4 million additionally has been lost through inflation in the TPP program.

RECOMMENDATION

We recommend that the Housing Authority establish realistic goals and objectives consistent with available resources.

SAVINGS/BENEFIT

The City's goals, as contained in the Housing Assistance Plan (HAP), for construction of low income housing units and reconstruction of existing units will be implemented and HUD grant funds will not be lost. Inflationary increases of $1.2 million annually in construction costs will be avoided.

AUDITS OF HOUSING AUTHORITY FUNDS HAVE NOT BEEN CONDUCTED AS REQUIRED BY STATE LAW. FURTHER, PERTINENT BUDGET DATA OF THE HOUSING AUTHORITY IS NOT MADE AVAILABLE TO OPERATING MANAGERS.

AUDITS

Under the provisions of Health & Safety Code Section 34327.6 of the State of California, all funds of a housing authority not subject to audit by a Federal agency shall be audited at least once each year at the expense of the housing authority by the State Department of Finance, or, at the option of the housing authority, by a public or certified public accountant. The San Francisco Housing Authority has approximately $250,000 of local funds (not subject to HUD audit) which came from operations of relinquished war housing, furniture rentals, etc. These funds are all consolidated into one "miscellaneous" fund and have been used for the following:

1. Group insurance for employees in excess of the amount allowed by HUD.

2. Travel reimbursements and allowances which are in excess of HUD guidelines.

3. Other housing authority expenses which would not be allowed or which have been specifically disallowed by HUD.

State law requires that these miscellaneous funds be audited on an annual basis. The last completed audit of these local (miscellaneous) funds was for the ten months ended July 31, 1973. Mr. Calvin Swinson, CPA, of the firm Swinson and Clinton CPA's advised us that he attempted

to complete an audit for the period August 1, 1973 to September 30, 1977, but was provided inadequate documentation of transactions and internal control procedures. Mr. Swinson advised that additional documentation was requested by him and promised by Housing Authority officials over a period of several weeks. Mr. Swinson was unable to complete the audit, because this information was not provided.

Audits of HUD funds, which include, by definition, rentals paid by tenants, have not been performed on a timely basis. The last completed audit of Federal funds was February 19, 1976 for the year ended September 30, 1974. HUD auditors could not express an opinion on the accuracy of SFHA financial statements because of inadequate internal control procedures, inaccuracies and lack of documentation. A three-year audit has recently been awarded for the period ending September 30, 1977, more than one year after HUD authorized the local Housing Authorities to select their own auditors (January, 1977). A review by the Bureau of the Budget of the deficiencies reported in the February 19, 1976 audit was conducted and many of the same deficiencies still exist. These deficiencies include inadequate internal control procedures and poor documentation of transactions.

BUDGETS

Budgets are not available for use by operating managers within the Housing Authority. Funding for the Housing Authority's operating and capital needs come from a variety of sources and HUD programs. Operating managers should have individual budgets which outline the personnel and other resources they have available. With this information these managers could relate specific levels of service or performance goals with levels of approved funding.

CONCLUSION

The San Francisco Housing Authority has not obtained timely audits, and does not provide its operating managers with needed budget data.

RECOMMENDATION

We recommend that the Housing Authority insure that all required audits be conducted in a timely manner. We further recommend that the Housing Authority provide budgets to its operating managers.

BENEFIT/SAVINGS

Implementation of these recommendations should result in adequate control over government monies and accurate reporting information so that management can make sound business decisions.

ALTHOUGH THE SFHA OWES $1 MILLION TO THE CITY AND COUNTY OF SAN FRANCISCO FOR PAYMENTS IN LIEU OF TAXES, THE SFHA HAS REFUSED TO CONVEY THESE FUNDS OWED TO THE CITY. IF THE AUTHORITY WERE TO COMPLY WITH THE ANNUAL CONTRIBUTIONS CONTRACT WITH HUD, THE CITY COULD RECEIVE ANNUAL REVENUES OF $200,000 FROM THE AUTHORITY AND $1 MILLION FOR OBLIGATIONS FROM PRIOR YEARS.

Under the provisions of the Annual Contributions Contract with HUD, the Housing Authority has obtained $200,000 annually and an accumulation in excess of one million dollars for the purpose of making Payments In Lieu of Taxes (PILOT) to the City. This money has not been paid to the City since 1973. The Housing Authority has submitted budgets to HUD which include PILOT and has reported PILOT expenses to HUD. However, the Housing Authority has advised the Controller of the City that if the PILOT were to be paid, "the minimal level of service provided to Authority residents under an inadequate funding formula would have to be reduced still further." We requested that the Housing Authority make an accounting of the HUD monies which were to be used for Payment In Lieu Taxes to the City. The Housing Authority Controller stated that the $1 million was expended through the years on normal operating expenses, but could not provide a list of expenditures.

The Authority's 1978 HUD budget shows reserves (unappropriated surplus) at the end of Fiscal Year 1977 in excess of $3,147,864 and estimated reserves at the end of Fiscal Year 1978 in excess of $3 million. Included in these reserves are non-liquid assests of almost $1 million in uncollected rents. However, the liquid reserves are adequate to make the required PILOT payments without resulting in any service reductions to Housing Authority residents.

CONCLUSION

The Authority has an obligation to convey to the City $1 million for the specific purpose of partially replacing lost property tax revenue and additionally pay the City and County $200,000 annually for this purpose. Existing reserves would provide more than sufficient funds for these payments.

RECOMMENDATION

We recommend that the Housing Authority Commission immediately pay the $1 million owed to the City and County of San Francisco for Payments In Lieu of Taxes from the Authority's reserves to the City's General Fund and establish a policy of making annual payments for this obligation in future years of approximately $200,000.

SAVINGS

Implementation of this recommendation would result in one-time annual revenues to the City and County of $1 million and increased revenues of $200,000 annually in Federal funds to partially replace lost property tax revenues.

THE SAN FRANCISCO HOUSING AUTHORITY HAS NOT BEEN COLLECTING ITS DELINQUENT RENTS IN A BUSINESS-LIKE MANNER. IN FEBRUARY, 1978, THESE DELINQUENCIES TOTALLED $901,743. SFHA'S COLLECTION LOSSES PER UNIT PER MONTH EXCEED THE COMPARABLE LOSSES OF LOS ANGELES AND SACRAMENTO BY 348% and 217% RESPECTIVELY.

Failure to establish and carry out a firm rental and collection policy has resulted in high collection losses. For the SFHA's 7,132 owned housing units the collection loss write off has been approximately $200,000 per year for the last three years. In comparison, the Housing Authority of the City of Los Angeles has 8,609 owned dwelling units and reported collection losses of $47,333 for the year ended 12/31/76 or 46¢ per unit per month (PUM). The San Francisco Housing Authority reported to HUD collection losses of $176,616 for the year ended 9/30/76 or $2.06 PUM which is 348% in excess of Los Angeles. Other figures reported to HUD indicate that other housing authorities in Northern California have avoided large collection losses through prudent business policies and collection procedures (latest available comparable data):

	San Francisco	Los Angeles	Sacramento
	Actual Ending 9/30/76	Actual Ending 12/31/76	Budget Ending 12/31/76
UNITS			
Collection Losses PUM*	$2.06	46¢	65¢
Total Annual Collection Losses	$176,616	$47,333	$14,500

*Per dwelling unit per month.

San Francisco's PUM exceeds Los Angele's PUM by 348% and Sacramento's by 217%.

The Housing Authority established, for each Project Area Manager, a system of monthly objectives to reduce delinquent rental balances starting October 3, 1977. Data available through February 1978 does not indicate progress in reducing delinquent rents (the balance was $893,791 as of September 1977 and was $901,743 in February 1978). Recently supplied data from the SFHA for the period subsequent to February 1978 indicates a slight improvement in the collection of delinquent rents.

CONCLUSION

The Housing Authority procedures to collect delinquent rent have been inadequate.

RECOMMENDATION

We recommend that the Housing Authority establish and adhere to a rent collection policy which would require the eviction of tenants whose rents become 90 days delinquent. The Housing Authority management should establish and follow through with measurable objectives to evaluate managers on their rent collection efforts and replace managers who do not follow this rent collections policy.

SAVINGS

The proper implementation of this recommendation would reduce collection losses by approximately $150,000 annually, to a level comparable to losses experienced by other housing authorities.

ALTHOUGH THE HOUSING AUTHORITY SPENDS IN EXCESS OF $600,000 ANNUALLY TO PURCHASE MATERIALS AND SUPPLIES, SFHA DOES NOT HAVE ADEQUATE CONTROL OVER ITS MATERIAL AND SUPPLY INVENTORY.

The 1971 HUD management audit finding that the SFHA lacked adequate inventory control at central stores and satellite areas is still uncorrected. The 1976 HUD financial audit found inadequate control over material and supply inventory. The Housing Authority concurred with the finding, agreeing with HUD recommendations to establish and properly maintain a perpetual inventory at all locations, to restrict access, to take a complete physical inventory annually and to develop written inventory procedures and provide training to inventory personnel in policies, objectives and the system of inventory control.

The Housing Authority has not established written inventory policies, has not maintained a perpetual inventory nor taken an annual complete physical inventory; a count of all goods presently in the Authority's stock rooms has not been completed.

Sampling of vendor invoices indicates that HUD mandated purchasing policy has not been followed. HUD mandated policy dictates that telephone or informal bids be taken for purchases costing between $250 and $2,500, and that formal or written bids be accepted for those over $2,500. In a random sample of 30 vendor invoices from June to December, 1977, approximately 55% of the invoices did not have the necessary formal or informal bids present.

A random sample of accounts payable revealed that the Housing Authority has had a practice of making cash payments directly to employees for smaller purchases and that the Housing Authority has no receipts to document many small purchases between $50 and $250. For example, the Chief of Tenant Services could supply receipts for only 5 of 27 purchases made in 1977 in which a direct cash payment was made to him (from the SFHA); 22 cash payments, totalling $2,465, lack any documentation. The reported reasons for these cash payments were to purchase food, art supplies, sports equipment and athletic and travel tickets distributed as part of the tenants social services program.

The present Chief of Purchasing has made efforts to control inventories by establishing a computerized Economic Order Quantity (EOQ) inventory system to set maximum and minimum stock levels. Initial test computer runs of the EOQ system were made, but because of the recent resignations of key computer technicians, this system is not now in operation. No firm date for the inception of this system could be made.

CONCLUSION

Purchasing deficiencies in the Housing Authority have persisted for years with audit findings uncorrected for seven years. This deficiency demonstrates a lack of financial and managerial control by the executive staff.

RECOMMENDATION

We recommend that the Housing Authority:

- Take immediate steps to hire or contract for the necessary computer personnel to implement the EOQ system.
- Complete a physical inventory of all materials at least once each year.
- Adhere fully to HUD purchasing policies.
- Document thoroughly all purchases.
- Develop a written manual of all purchasing and inventory control procedures, and provide necessary training.

BENEFIT

Implementation of these recommendations should provide the necessary internal controls to safeguard the material and supply inventory and to avoid the purchase of inappropriate quantities.

THE SALARIES PAID TO THE EXECUTIVE STAFF OF THE SFHA APPEAR TO BE EXCESSIVE. ADDITIONALLY, SFHA PAYS ITS EXECUTIVE STAFF CASH AUTOMOBILE ALLOWANCES FROM ITS MISCELLANEOUS FUND WHICH IS NOT SUBJECT TO HUD AUDIT.

The current salaries of the Executive Director, Deputy Executive Director, Assistant Executive Director, Controller and the Chief of Finance are $52,598, $45,448, $43,316, $42,120 and $30,966 respectively. The above salary for the Controller is the budgeted salary.

SFHA pays the Executive Director a $308 monthly automobile allowance or $3,696 annually, in addition to his $52,598 annual salary, for a total salary and allowance of $56,294 annually. The Authority Assistant Executive Director, Controller, Director of Housing Operations, and the Chief of Finance each receive an automobile allowance of $225 monthly or $2,700 annually. The Housing Authority pays such allowances from non-Federal sources, namely its Miscellaneous Fund.

HUD regulations state that reimbursement for local travel expenses should be "comparable with local public practice" and "that if the local government provides for reimbursement by means of flat monthly allowances, the authority may use this method." HUD rules further state that monthly mileage allowances should be reviewed every six months and that the basis for mileage payments should be kept on file. The City and County of San Francisco provides for payment of 18 cents per mile for local travel, whereas the Authority provides a flat monthly mileage allowance for its five top staff employees and 18 cents per mile for other employees who use their own autos.

CONCLUSION

Housing Authority executive employees appear to receive excessive salaries and allowances.

RECOMMENDATION

We recommend that the Board of Supervisors:

- Request the Civil Service Commission conduct an independent classification and pay study of the SFHA's executive staff.

We recommend that the San Francisco Housing Authority:

- Discontinue payment of cash automobile allowances to the executive staff.

Although the San Francisco Housing Authority advised that a recent salary survey has been conducted, the San Francicco Housing Authority Executive Director advised that this study could not be released until the San Francisco Housing Authority Commission had approved such release.

SAVINGS/BENEFIT

The implementation of these recommendations should insure that excessive salaries are not paid to the SFHA's executive staff, and would preclude the payment of automobile allowances not subject to HUD audit.

THE EXECTIVE STAFF AND COMMISSIONERS OF THE SAN FRANCISCO HOUSING AUTHORITY EXPENDED OVER $43,000 FOR OUT-OF-TOWN TRAVEL IN 1977. BASED ON TRAVEL COSTS OF OTHER HOUSING AUTHORITIES, THE SFHA TRAVEL COSTS ARE EXCESSIVE.

During 1977 the SFHA spent $43,853 on non-local travel to 27 cities, 18 of which were outside California. The Authority authorized 93 individual trips in 1977, including 55 made by staff, 26 by Commissioners and 12 by SFHA tenants. It is questionable as to how much benefit has been derived from such travel.

For fiscal year 1977-78, the budget adopted for travel purposes and approved by HUD is $22,000. Amounts in excess of the HUD approved travel budget, namely $21,853, are paid by the Authority's Miscellaneous Fund which is not subject to HUD audit. Travel amounts expended by other California Housing Authorities are as follows:

Sacramento, California	- Fiscal Year 1976-77 -	$15,000
	(Budget data for fiscal year 1977-78 -	$15,600)
Oakland, California	- Fiscal Year 1976-77 -	$10,300
County of Los Angeles	- Fiscal Year 1977-78 -	$15,580
City of Los Angeles	- Fiscal Year 1977-78 -	$39,390

CONCLUSION

Out-of-town travel expenditures have been excessive and it is questionable as to how much benefit has been derived from this travel.

RECOMMENDATION

We recommend that the SFHA authorize only those travel expenditures as approved in their budget submission to HUD.

SAVINGS

Implementation of this recommendation will result in in reduced costs of about $20,000 annually.

THE SFHA DOES NOT USE COMPETITIVE EXAMS OR A MERIT SYSTEM FOR EMPLOYMENT OR PROMOTION OF ITS MAINTENANCE EMPLOYEES.

A merit system is a personnel system in which comparative merit or achievement governs each individual's selection and progress in the service and in which the conditions and rewards of performance contribute to the competency and continuity of the organization. The fundamental feature of such a system is the reliance on a plan of open, competitive, valid examinations by which candidates are appraised as to their relative fitness for entrance and promotion in the organization. Many public jurisdictions have implemented a merit system in order to eliminate patronage and the influence of special interest. The SFHA does not hire or promote its maintenance staff through an examination process. These employees number approximately 240 of the total of 600 or 40% of the employees of the Housing Authority.

CONCLUSION

The SFHA does not use competitive examinations or a merit system for employment or promotion of its maintenance employees, who constitute about 40% of all SFHA employees.

RECOMMENDATION

We recommend that the SFHA implement a system of hiring and promotion for maintenance employees based on open, competitive examinations.

BENEFIT

Implementation of this recommendation will insure that the SFHA will appoint and retain those employees who are most qualified for each position.

THE HOUSING AUTHORITY AND THE REDEVELOPMENT AGENCY WOULD BE APPROPRIATELY CONSOLIDATED UNDER THE ADMINISTRATION OF THE CHIEF ADMINISTRATIVE OFFICER (CAO). CONSOLIDATION UNDER THE CAO WOULD IMPROVE THE COORDINATION OF COMMUNITY DEVELOPMENT ACTIVITIES AND ALLOW THE ELIMINATION OF APPROXIMATELY $1 MILLION ANNUALLY IN DUPLICATED EXPENSES. PURSUANT TO STATE LAW, THE BOARD OF SUPERVISORS SHOULD CREATE A COMMUNITY DEVELOPMENT AGENCY RESPONSIBLE FOR ALL REDEVELOPMENT AND HOUSING ACTIVITIES.

Consolidating the activities of the SFHA with those of the SFRA can increase the efficiency with which low income housing and redevelopment activities are provided to San Franciscans. Such reorganization creates opportunities for savings by eliminating staff duplication, and by increasing the overall efficiency and effectiveness of the two agencies.

1. Duplication of Staff

The purpose and functions of the Redevelopment Agency and the Housing Authority overlap; both agencies have similar legal status, responsibilities, and authority (see Appendix IV). Both agencies provide similar services, but with different degrees of emphasis: real estate acquisition and disposition of property; technical-engineering functions to carry out new construction of housing, site improvements and major rehabilitation projects; management and maintenance of property; and supporting social, and relocation services.

a. Technical and Engineering

The San Francisco Redevelopment Agency has a technical staff section of 28 budgeted positions ($670,202 in salaries). The activities to be accomplished in 1978 by the Redevelopment Agency include (1) completion of approximately 200 apartment dwelling units, the start of 120 (Section 8) units, 150 units of subsidized senior citizen housing, and $4,015,000 in site improvement (sewers, utilities, parks etc.) at Hunters Point; (2) $168,600 in site improvements at India Basin and (3) $325,000 in site improvements and $502,000 in site clearance and undergrounding of utilities at Western Addition.

The Housing Authority has 19 budgeted positions ($383,890 in salaries) involved in planning, architecture, engineering, construction, and development activities. The Housing Authority has not constructed any new housing since 1974 and has completed the rehabilitation of only 30 units of a planned 1,129 at Hunters Point since 1975.

In a combined agency, the present professional, technical staff working at the Redevelopment Agency central, Western Addition, and Hunters Point offices together with the addition of 7 technical and administrative staff personnel from the Housing Authority would be sufficient to carry out the major capital projects of both agencies. Twelve Housing Authority positions could be eliminated at a savings of approximately $223,808 annually plus fringe benefits.

b. Property Management

Both agencies manage property. The Redevelopment Agency manages on a temporary basis vacant lots, residential properties and commerical structures. The Housing Authority manages approximately 7,000 dwelling units of leased housing. The management of property entails all the normal landlord tenant relationships plus the need to provide supporting social services for low income tenants. In addition to management responsibilities for Agency-owned properties, the Redevelopment Agency staff provides advisory management services for moderate income housing developments (co-ops, nonprofit, and limited dividend developments subsidized by HUD in project areas).

The Housing Authority has 66 budgeted positions (salaries of $1,089,872) devoted to conventional housing project management, management of leased housing, and the referral and rental of units.

The Housing Management section of the Redevelopment Agency has 9 positions ($171,860 in salaries) that assist developers to lease and successfully manage their apartments. Also, the Agency has 5 positions budgeted for management of Agency-owned property. Two positions could be eliminated in the event of a consolidation at a savings of approximately $40,924 annually plus fringe benefits.

c. Maintenance

The Housing Authority has 171 budgeted maintenance positions with budgeted salaries of $3,354,200 and the Redevelopment Agency has 38 maintenance positions budgeted at $727,232. In addition, the Housing Authority has 70 CETA laborer trainee positions and the Redevelopment Agency has 25 similar laborer trainee positions. The Housing Authority staff is inadequate as demonstrated by $50 million in accumulated deferred maintenance at the Housing Authority. Savings generated by eliminating duplicated executive and administrative staff positions in a combined agency would allow greater resources to be directed towards this deferred maintenance.

d. Relocation/Social Service

In order to coordinate maintenance, housing management, and social relocation services, the Redevelopment Agency has designed a dual management control structure based on (1) project-geographical area and (2) technical or functional lines of authority. A combined agency can continue this concept to integrate the activities of managing, renting, maintaining and providing social services in conventional public housing. One SFHA Relocation - Social Services position could be eliminated at a savings of $31,590 annually plus fringe benefits.

As reviewed earlier in this report, the Redevelopment Agency employs 14 relocation persons which the relocation work load does not justify. The combined Agencies could redeploy and retain these staff members to carry out relocation for rehabilitation and additional social services to the conventional housing units.

e. Financial and Personnel Management

Housing Authority senior financial managers have not been successful in maintaining reliable accounting records and developing accurate financial statements nor in providing management with sufficient accurate information to make sound business decisions. Redevelopment Agency personnel could sharply improve Housing Authority financial and personnel practices. Three SFHA financial and personnel management positions could be eliminated at a savings of approximately $88,608 annually plus fringe benefits.

f. Executive Staff

It is the Bureau of the Budget's judgement that the proposed consolidation would allow the elimination of 11 positions in the SFHA Executive Director's office including the position of Executive Director. This would save approximately $274,950 plus fringe benefits.

g. Coordination Under the CAO

Currently both the SFHA and the SFRA operate as separate governmental agencies. Consolidating both agencies into a single Community Development Agency under the administrative auspices of the City's Chief Administrative Officer would create a clear line of responsibility from the agency director through the CAO to the policy making authorities of the Board of Supervisors and the Mayor and effect organizational opportunities in at least two other areas:

1. Provide the organizational capability for the CAO to coordinate the operations of closely related programs now under the control of the CAO (e.g. Bureau of Building Inspection, Bureau of Engineering, Bureau of Building Repair, Bureau of Sanitary Engineering, Bureau of Street Repair, Department of Electricity, City Architect, Wastewater Management and Real Estate) proposed maintenance operations of the proposed single Community Development Agency. It should be noted that the Bureau of Building Inspection administers the Rehabilitation Assistance program (RAP)

which is a $4.2 million CD program already under the CAO's jurisdication.

2. Provide the flexibility to re-organize and consolidate the operations of the proposed Community Development Agency with other programs now under the CAO as various projects are completed and program requirements change.

The responsibility for carrying out the City's housing and urban development activities is fragmented and uncoordinated under the current separate structures of the SFRA and SFHA.

Pursuant to State law, a Community Development Agency, with responsibility for all redevelopment and housing activities should be created by the Board of Supervisors. The administrative authority of this Agency should be delegated to the Chief Administrative Officer.

A Community Development Committee could be created. This Committee could be advisory in nature to the Mayor, the Board of Supervisors and the CAO on housing and redevelopment matters.

CONCLUSIONS

1. The San Francisco Redevelopment Agency is a professionally managed agency.

2. The Housing Authority executive staff has demonstrated inadequate capacity to correct the management deficiencies which have resulted in excessive deferred maintenance, overpayment of employees, failure to build and reconstruct public housing units, and to adequately account for government monies.

3. By combining with the Housing Authority, the SFRA relocation workers can be cross-trained to perform social service counseling and aid in relocation activities during Housing Authority construction and reconstruction.

4. Consolidating the activities of the SFHA with those of the SFRA into a single Community Development Agency can increase the efficiency, effectiveness and economy with which low income housing and redevelopment services are provided to San Franciscans.

RECOMMENDATIONS

We recommend that the Board of Supervisors, by ordinance declare themselves to be the Community Development Commission and thereby create a Community Development Agency and combine the San Francisco Redevelopment Agency and the San Francisco Housing Authority under the administration of the Chief Administrative Officer.

We further recommend that the Mayor should appoint a Community Development Committee, subject to confirmation of the Board of Supervisors. This Committee should be advisory in nature to the Mayor, the Board of Supervisors and the CAO on housing and redevelopment matters. These recommendations should be implemented in compliance with all State Laws and Charter requirements.

SAVINGS/BENEFITS

A recap of the proposed reduction in duplicated positions and related unnecessary rent, which would result in reduced expenditures, is as follows:

SFHA POSITIONS TO BE ELIMINATED BY MERGER OF SFHA AND SFRA

		BUDGETED ANNUAL	
I			
SFHA			
Executive Directors Office			
1	Executive Director	$[illegible]	
2	Exec. Staff Asst.	[illegible]	
3	Secretary to Exec. Director	17,9[illegible]	
4	Principal Secretary	12,740	
5	Deputy Exec. Director	38,272	
6	Sec. to Dep. Ex. Director	13,572	
7	Asst. Exec. Director	44,174	
8	Sec. to Asst. Ex. Director	12,376	
9	Central Building Manager	27,768	
10	Training Officer	17,368	
11	Asst. Training Officer	16,588	
	Total Executive Directors Office		$274,950
II			
SFHA			
Finance and Legal Department			
1	Chief of Finance	$31,590	
2	Controller	42,120	
3	Sec. to Controller	14,898	
	Total Finance and Legal Department		$ 88,608
III			
SFHA			
Relocation-Social Services			
1	Chief, Family Ten. Services	$31,590	
	Total Relocation - Social Services		$ 31,590

	Total Housing Management Department	$ 40,924

1	Director, Program Develop.	24,734
2	Principal Clerk Steno	12,[illegible]
3	Program Dev. Analyst	2[illegible],4[illegible]

TPP Technical

1	Community Serv. Rep.	1[illegible],1[illegible]
2	Community Serv. Rep.	[illegible],1[illegible]
3	Student Lbg. Trainee	10,2[illegible]
4	TPP Inspector Coord.	21,3[illegible]
5	Principal Social Planner	24,54[illegible]
6	Tenants Serv. Rep.	[illegible],5[illegible]
7	Tenants Serv. Rep.	[illegible],5[illegible]
8	Clerk Typist	[illegible],5[illegible]
9	Comm. Serv. Rep.	16,19[illegible]

Total Technical-Engineering-Planning Department	$223,808
Total Salaries-All Sections	659,880
Estimated Fringe Benefits (25%)	164,970
Total Annual Savings (Salaries and Fringe Benefits) from eliminating duplicated positions	$824,850
SFHA Unnecessary Rent	190,000
Total Savings Due to Consolidation of Staff	$1,014,850

Implementation of this recommendation will also result in the following benefits:

1. Improved conventional public housing project management and maintenance.

2. A clear line of responsibility from the Agency Director to the Board of Supervisors and Mayor.

3. Increased opportunities and flexibility to coordinate and organize the Community Development Agency programs with those of the CAO.

MAJOR HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS

URBAN RENEWAL -- A program created by the U.S. Housing Act of 1949 which provides federal aid to cities undertaking the redevelopment or rehabilitation of blighted and deteriorating neighborhoods under a pre-approved plan. Through the Department of Housing and Urban Development (HUD), the federal government underwrites two-thirds of project costs; the city contributes the balance, usually in the form of noncash public improvements. Federal funds finance the acquisition and disposition of land, the relocation of residents and businesses, and all activities necessary for the proper preparation and execution of a redevelopment plan. Financing is provided on a project-by-project basis. Although the creation of housing, especially for lower-income households, is a major objective of urban renewal, the program also permits the financing of commercial, industrial, and civic improvement projects.

COMMUNITY DEVELOPMENT -- A program created by the Housing and Community Development Act of 1974 which supersedes Urban Renewal and seven other federal categorical aid programs (water and sewer, urban beautification, Model Cities, public facility loans, and historic preservation). Now, a federal "block grant," in a sum determined by a formula based on indices of poverty, population, and extent of housing overcrowding, finances all of the foregoing activities. Cities must apply for the funds, but they have considerable discretion as to how and on what projects they are to be spent. Under the community development program, federal funds may be used to finance 100 percent of project costs.

CALIFORNIA COMMUNITY REDEVELOPMENT LAW -- A state law passed in 1948 authorizing the creation and regulating the operation of local redevelopment agencies.

FHA -- The Federal Housing Administration, which is authorized by the National Housing Act (1934) to insure residential mortgages against foreclosure in order to improve the flow of mortgage credit. In addition to the subsidized housing programs identified below, the following unsubsidized mortgage insurance programs have been used in redevelopment areas: Section 203, Section 213, Section 220, Section 221(d)(4), and Section 231. FHA programs permit either new construction or substantial rehabilitation.

SECTION 221(d)(3) of the National Housing Act -- Provides FHA mortgage insurance on a loan made available through the Government National Mortgage Association at a "below-market interest rate" (usually 3%). Housing is developed and owned by private nonprofit, cooperative or limited-profit sponsors. Three percent interest rate provides a subsidy reaching moderate-income households. Rent supplements may also be applied to reach low-income households.

SECTION 236 of the National Housing Act -- FHA mortgage insurance and interest subsidy on a loan made by a private lender at market interest rate for construction of rental and cooperative housing. Government pays all interest in excess of 1%; developer pays principal and 1% interest. Housing is developed and owned by private nonprofit, cooperative, and limited-profit sponsors. Effective 1% interest rate provides a subsidy reaching moderate-income households. Additional rent subsidies may be applied to reach low-income households.

FEDERAL RENT SUPPLEMENTS (Section 101 of the Housing and Urban Development Act of 1965) -- A rent subsidy administered by FHA in connection with certain FHA-insured mortgages. Usually applied as a second subsidy to a portion of the units in Section 221(d)(3) and Section 236 projects. Reduces rents to levels affordable by low-income households.

PUBLIC HOUSING (U.S. Housing Act of 1937) -- Local housing authorities issue tax-exempt bonds to finance housing development for low-income households. Federal government guarantees the bonds and subsidizes repayment of all principal and interest. Housing is generally owned and operated by the local housing authorities. Housing authorities may also issue bonds not guaranteed or subsidized by the federal government for the purpose of financing Section 8 projects (see below).

SECTION 8 of the U.S. Housing Act of 1937 (as amended in 1974) -- A rent subsidy which may be applied to new, rehabilitated, or existing dwelling units meeting certain HUD criteria. Section 8 may be combined with a variety of mortgage loan vehicles to provide a complete housing finance package; namely, FHA programs 220, 221(d)(4), and 231; conventional mortgages; state or local bond finance; and HUD's Section 202 direct loan program. Developers may be public entities or private nonprofit or profit-motivated sponsors. Subsidy reaches both low- and moderate-income households who pay from 15% to 25% of monthly income for rent.

SECTION 202 of the Housing Act of 1959 (as amended in 1974) -- A direct loan from HUD to finance development of housing for the elderly and handicapped by nonprofit organizations. All units are subsidized through Section 8 (see above).

CHFA -- The California Housing Finance Agency, which is authorized by California law to issue tax-exempt bonds and relend the proceeds to the developers of housing for low- and moderate-income households. The subsidy is provided through HUD Section 8 (see above).

S.B. 99 (California Health and Safety Code, Section 33750 et seq.) -- Authorizes redevelopment agencies to borrow by issuing tax-exempt bonds or notes and to relend the proceeds to finance new housing construction in redevelopment areas. Loans must be insured by an agency of federal, state, or local government or by a private insurer. Housing may be constructed for low-, moderate-, and middle-income households.

SECTION 312 (Housing Act of 1964) -- Authorizes direct federal loans of up to $27,000 per dwelling unit at 3% interest for 20 years for the rehabilitation of residential properties in urban renewal areas. Although 1974 Housing and Community Development legislation envisioned the end of the categorical funding of Section 312 and the future funding of rehabilitation from a city's community development block grant, there has been a resurgence of interest in the program in Washington with new funding expected.

MARKS-FORAN REHABILITATION LOAN -- State legislation, known as the Marks-Foran Residential Rehabilitation Act of 1973, authorizes cities, redevelopment agencies, and housing authorities to borrow on their tax-exempt bonds or notes and to relend the proceeds for property rehabilitation in concentrated rehabilitation areas. Loans of up to $30,000 per dwelling unit may be made for terms of up to 30 years. Legislation anticipated the end of the federal 312 program and local assumption of responsibility in the area of rehab loans.

SIGNIFICANT PROJECT DATES

Project	Area Designated by Board of Supervisors	Funds Available for Survey Planning (1)	Approval of Redevelopment Plan			Funds Available Redevelopment Activities (2)
			City Planning Commission	Redevelopment Agency	Board of Supervisors	
Diamond Heights	Jul 24, 1950	Sep 11, 1950	Apr 14, 1955	Mar 30, 1954	Oct 24, 1955	Mar 1, 1956
Western Addition A-1(3)	Aug 2, 1948	Sep 11, 1950	Jun 16, 1955	Nov 23, 1954	May 28, 1956	Dec 27, 1956
Golden Gateway	Feb 21, 1955	May 15, 1958	Apr 23, 1959	Apr 15, 1959	May 25, 1959	Jun 30, 1959
Western Addition A-2	Aug 2, 1948	Sep 5, 1961	Aug 13, 1964	Jul 21, 1964	Oct 13, 1964	Jun 30, 1966
Chinese Cultural and Trade Center	Dec 23, 1963	Jul 6, 1965(4)	Sep 16, 1965	Sep 21, 1965	Nov 8, 1965	Sep 19, 1968(5)
Yerba Buena Center	Dec 11, 1961	Sep 5, 1962	Jan 13, 1966	Dec 7, 1965	Apr 25, 1966	Dec 2, 1966
Hunters Point	Dec 23, 1963	Oct 30, 1964(6)	Dec 12, 1968	Jan 13, 1969	Jan 20, 1969	Mar 21, 1969(7)
India Basin Industrial Park	Dec 27, 1965	Jun 1, 1967	Dec 12, 1968	Jan 13, 1969	Jan 20, 1969	May 23, 1969
Stockton/Sacramento	Mar 20, 1972	Jul 13, 1973(8)	Apr 25, 1974	May 13, 1974	May 20, 1974	Sep 10, 1974(9)

(1) Except as otherwise noted, date of Survey and Planning Contract signed by HUD.
(2) Except as otherwise noted, date of Loan and Grant Contract signed by HUD.
(3) HUD Contract was "closed out" March 30, 1973, officially denoting completion of the Project.
(4) Date of Board of Supervisors Ordinance No. 182-65.
(5) Start of Construction.
(6) HUD did not authorize expenditure of planning funds until June 21, 1966.
(7) Date of the first NDP Master Contract with HUD.
(8) Date of NDP Contract.
(9) Date of HUD approval of Redevelopment Plan.

ATTACHMENT 1
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ASSESSED VALUATIONS AND ANNUAL TAX REVENUES
BEFORE AND AFTER REDEVELOPMENT
(Thousands of $)

	Chinese Cultural and Trade Center	Diamond Heights	Golden Gateway	Hunters Point	India Basin Industrial Park	Stockton/ Sacramento	Western Addition A-1	Western Addition A-2	Yerba Buena Center	TOTAL
ASSESSED VALUATIONS (a)										
Before Redevelopment	$ (e)	$ 358	$ 4,747	$ 637	$ 2,823	$ 191	$ 2,849	$30,228 (c)	$ 8,751 (c)	$ 50,594
Current 1977-78	3,700	20,734	62,620	2,000	369	0	27,123	35,698	5,320	157,564
After Redevelopment	3,700	25,000	72,000	8,750	11,250	1,700	27,123	56,900	111,139	317,562
ANNUAL TAX REVENUES (b)										
Before Redevelopment	$ (e)	$ 43	$ 555	$ 75	$ 330	$ 22	$ 333	$ 3,537	$ 1,024	$ 5,919
Current 1977-78	433	2,426	7,327	243	43	0	3,173	4,177	622	18,444
After Redevelopment	433	2,925	8,424	1,024	1,316	199	3,173	6,657	13,009	37,160
Dollar Increase (d)	$ 433	$ 2,882	$ 7,869	$ 949	$ 986	$ 177	$ 2,840	$ 3,120	$ 11,985	$ 31,241
Percent Increase (d)	---	6,702%	1,418%	1,265%	299%	80%	853%	88%	1,170%	528%

(a) Before exemptions. Figures represent 25 percent of actual cash value.
(b) The current rate of $11.70 per $100.00 of assessed value is applied to all assessed value figures for purposes of comparison.
(c) Values adjusted to 1967-68 tax year to reflect reassessment.
(d) Increase of "After Redevelopment" over "Before Redevelopment".
(e) Public owned before redevelopment.

NOTE: In lieu taxes paid to City as of June 30, 1977; $2,297,432.83.

RESIDENTS AND BUSINESS SERVICES

Services for residents and businesses include: (1) information regarding rights and available services; (2) assistance with social and economic needs, such as rents in present housing, credit rating problems, and use of Food Stamps; (3) assistance regarding garbage collection and pest control; (4) location of suitable replacement housing; and (5) financial assistance in meeting costs related to moving and replacement housing.

Status of Relocation Program
(as of December 31, 1977)

		Total	Moved	Remaining to be Moved
Families	Diamond Heights	33	33	0
	Western Addition A-1	1,350	1,350	0
	Golden Gateway	20	20	0
	Stockton/Sacramento	19	19	0
	India Basin	56	56	0
	Yerba Buena Center	201	200	1
	Hunters Point	766	728	38
	Western Addition A-2*	1,762	1,673	89
	TOTALS	4,207	4,079	128
Individuals	Diamond Heights	14	14	0
	Western Addition A-1	1,225	1,225	0
	Golden Gateway	188	188	0
	Stockton/Sacramento	43	43	0
	India Basin	15	15	0
	Hunters Point	401	373	28
	Yerba Buena Center	2,114	2,079	35
	Western Addition A-2*	2,690	2,556	134
	TOTALS	6,690	6,493	197
Businesses	Diamond Heights	1	1	0
	Western Addition A-1	358	358	0
	Golden Gateway	522	522	0
	Hunters Point	29	29	0
	Stockton/Sacramento	6	5	1
	India Basin	89	87	2
	Yerba Buena Center	551	515	36
	Western Addition A-2*	982	933	49
	TOTALS	2,538	2,450	88

*These figures will change as relocation caused by rehabilitation of properties becomes more definitive.

ANNUAL HOUSING CONSTRUCTION IN REDEVELOPMENT AREAS
1963 THROUGH 1977
(dwelling units completed)

Year	Low- to Moderate-Income	Market-Rate	Total
1963	299	134	433
1964	32	716	748
1965	--	561	561
1966	--	816	816
1967	--	201	201
1968	140	171	311
1969	383	363	746
1970	110	93	203
1971	914	14	928
1972	494	191	685
1973	198	492	690
1974	950	154	1,104
1975	555	317	872
1976	371	67	438
1977	52	77	129
TOTAL	4,498	4,367	8,865
Annual Average Over 15 Years	300	291	591
Under Construction Jan. 1978	553	150	703

NEW HOUSING CONSTRUCTION

STATUS OF PROGRAM
AS OF JANUARY 1, 1978

(by number of dwelling units)

I. LOW- TO MODERATE-INCOME	TOTAL PROGRAM	COMPLETED #	COMPLETED %	UNDER CONST. #	UNDER CONST. %	PLANNED #	PLANNED %
Western Addition A-1	654	654	100.0	--	--	--	--
Western Addition A-2	2,902	2,245	77.0	140	5.0	517	18.0
Diamond Heights	437	437	100.0	--	--	--	--
Hunters Point	1,379	628	45.0	301	22.0	450	33.0
Yerba Buena Center	1,143	534	47.0	112	10.0	497	43.0
Stockton/Sacramento	175	--	--	--	--	175	100.0
TOTAL	6,690	4,498	67.0	553	8.0	1,639	25.0
II. REGULAR MARKET							
Western Addition A-1	1,199	1,164	97.0	35	3.0	--	--
Western Addition A-2	1,200	240	20.0	27	2.0	933	78.0
Diamond Heights	1,797	1,709	95.0	88	5.0	--	--
Golden Gateway	1,403	1,254	89.0	--	--	149	11.0
Hunters Point	234	--	--	--	--	234	100.0
Yerba Buena Center	50	--	--	--	--	50	100.0
TOTAL	5,883	4,367	74.0	150	3.0	1,366	23.0
III. TOTAL							
Western Addition A-1	1,853	1,818	98.0	35	2.0	--	--
Western Addition A-2	4,102	2,485	61.0	167	4.0	1,450	35.0
Diamond Heights	2,234	2,146	96.0	88	4.0	--	--
Golden Gateway	1,403	1,254	89.0	--	--	149	11.0
Hunters Point	1,613	628	39.0	301	19.0	684	42.0
Yerba Buena Center	1,193	534	45.0	112	9.0	547	46.0
Stockton/Sacramento	175	--	--	--	--	175	100.0
TOTAL	12,573	8,865	70.0	703	6.0	3,005	24.0

HOUSING ASSISTANCE PLAN (HAP) GOALS
OF THE CITY AND COUNTY OF SAN FRANCISCO

The Housing and Community Development Act of 1974 provides for a single Community Development application from each city with the intent to provide for better coordination of Community Development activities within a City's jurisdiction. San Francisco will receive $26.1 million in Community Development (CD) block grant funds in the CD year of February 1, 1978 - January 31, 1979.

Along with the application for Community Development block grant funds, the City must file with HUD its Housing Assistance Plan (HAP) which addresses the problems and needs of the lower income households living under or subject to inadequate conditions. Contained within the HAP, the goals for development of assisted housing in San Francisco relate to the needs and approaches in the CD program and other housing programs. The 1978 HAP has a goal of 4,817 units grouped into general categories: Rehabilitation, Existing housing and New Construction. The Mayor's Office of Community Development has described the following HAP goals as realistic appraisals of what can be accomplished in one year in providing subsidies (Section 8 program) in existing housing units or building new low income units or rehabilitation of existing units:

Summary of the

1978 Community Development Housing Assistance Plan

REHABILITATION		3,167
Locally-Financed Rehabilitation Loans	2,167	
RAP: Inner Richmond, Upper Ashbury, North of Market, Tenderloin	1,751	
Harship Loans (both areas)	116	
Western Addition A-2	300	
Section 8 Housing Assistance Payments	1,000	
Designated Rehabilitation Areas	450	
Scattered Site Rehabilitation	550	
EXISTING		400
Section 8 Housing Assistance Payments	400	
Designated Rehabilitation Areas	150	
City-wide Leasing Program	250	
NEW CONSTRUCTION		1,250
Section 8 Housing Assistance Payments	1,000	
Scattered Sites	550	
Section 202 Elderly	300	
Units in Large Market-Rate Developments	150	
Conventional Public Housing	250	
Total		4,817

BRIEF DESCRIPTION OF THE RELOCATION FUNCTION

After a redevelopment project is underway and some sites are acquired, a representative of the relocation agency personally contacts each family, single individual, and business operator to inform him of his right to relocation assistance and payments and what he must do to obtain benefits. Tenants must sign a rental agreement and pay rent to the Agency. In no case is the rent set at more than the family or individual can afford. In some cases this means the Redevelopment Agency officials reduce the rent below the rate paid to the former landlord.

Agency-Community Services Representatives help clients individually in finding housing which is in good condition, available to people of all races, religions, and nationalities, priced within their means, adequate in size, and reasonably convenient to their places of employment, transportation, and other public facilities. If special problems are encountered, referrals are made to local agencies for such aids as employment training, legal assistance, and family or financial counseling. Commercial and institutional enterprises are also assisted in finding appropriate new spaces.

The following is a summary of relocation payments which are made to families, individuals, nonprofit organizations, and businesses:

1. Families and individuals may receive actual reasonable moving expenses or a fixed moving expense payment in a maximum amount of $300 based on the number of rooms occupied, plus a dislocation allowance of $200.

2. Homeowner-occupants may receive a maximum of $15,000 to cover :

   (a) the difference between the price paid for the property by the Agency and the cost of a comparable replacement dwelling;

   (b) an amount to compensate for any difference between the old and new mortgage interest rates;

   (c) certain closing costs on the replacement dwelling.

   If the homeowner does not purchase replacement housing, he may be eligible to receive a maximum of $4,000 in rental assistance payments.

3. Tenants may receive a maximum of $4,000 to help rent a replacement dwelling. To purchase, tenants must be able to match dollar for dollar all over $2,000.

4. Business concerns and nonprofit organizations may receive payments for actual moving expenses or an in lieu payment equal to the average annual net earnings of the business. The fixed payment is not to be less than $2,500 or more than $10,000.

STATUTORY OVERVIEW OF THE HOUSING AUTHORITY AND OF THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

San Francisco's Housing Authority and San Francisco's Redevelopment Agency are the two major agencies created, existing and acting administratively as well as legislatively (as arms of the state) pursuant to the Community Redevelopment and Housing Laws of the Health and Safety Codes of California, Sections 33000 thru 38999. These laws are subdivided under 19 separate "Parts." The local Redevelopment Agency's statutory basis is found in Part I (Community Redevelopment Law), and the local Housing Authority's is found in Part 2 (Housing Authorities) of these laws. Part 1.5 (Community Development Commission) allows for consolidated administration of these two agencies.

Specific statutory powers flow to the local Redevelopment Agency beginning with Sections 33000, and to the local Housing Authority beginning at Section 34200 of the Health and Safety Code.

The purpose and functions of these agencies overlap insofar as they deal with slum clearance and the development of housing for restricted income residents. But these are distinct agencies in that the local Redevelopment Agency's primary concern is to protect and promote the sound development and redevelopment (Section 33037) of areas determined to be of declining population (Section 33034); of inadequate tax receipts (Section 33033); and/or of abundant unfit or unsafe buildings (Section 33031). The Housing Authority's primary responsibility is to provide decent, safe and sanitary living accommodations for persons of restricted

and low income (Section 34212). This Housing Authority objective often involves slum clearance and reconstruction of the cleared area (Section 34201). The Redevelopment Agency too has as a fundamental purpose the expansion and supply of low and moderate-income housing (Section 33071). Notwithstanding, the Redevelopment Agency's duty is to provide such residential, commercial, industrial, or public structures and/or spaces as may be appropriate in the interest of the general welfare (Section 33020); the areas of its concern, blighted areas (Section 33030), may or may not contain slums or depressed housing (Section 33701).

Primarily concerned with the general economic health of the local community, the Redevelopment Agency may, sometimes through its eminent domain powers (Section 33342), acquires property with the intention for resale after rehabilitation of same (Section 33402). The Agency is required to allow owner participation if it requested, and certain conditions are complied with in conformity to intended Agency plan (Section 33339). The Redevelopment Agency may transfer to public or private persons land granted to it by the local community (Section 33396).

On the other hand, primarily concerned with the general housing need of the City and County of San Francisco, the local Housing Authority usually maintains and operates housing projects (Section 33402). Recent amendments to Part 2 indicate that the State Legislature desires that the Authority become broadly involved in the housing industry. The Authority is now empowered to enter into leased housing arrangements and offer financing, counseling, referral and advisory services to qualified persons seeking ownership of their home (Section 34312).

The Housing Authority may qualify as a mortgagee-lender as well as a mortgagor-borrower (Section 34459). The Authority may also sell, lease, exchange, transfer or otherwise dispose of any real property within which it has an interest (Section 33415).

Like the Redevelopment Agency, the Housing Authority may acquire by eminent domain any real property it deems necessary for its purposes (Section 34325). But whereas the Redevelopment Agency's area of operation is confined to areas of compelling economic need, their is no requirement that the Housing Authority's area of concern be confined to depressed housing and slum areas; discretion in choice of site for operation lies soley with the Authority according to the courts.

Both the Housing Authority (Section 34350) and the Redevelopment Agency (Section 33309) are authorized to issue bonds as may be necessary for their corporate purposes. Supplemental financial assistance for the Redevelopment Agency includes loans from private institutions and from the Federal Government (Section 33601), and grants, to a lesser extent from private sources (Section 33600), and to a greater extent from its local community (Section 33614). The Housing Authority traditionally secures financial aid from the Federal Government, but it may accept financial aid from the state and local governments (Section 34327).

The Redevelopment Agency and the Housing Authority were both created by the local legislators' (Board of Supervisors') determination that a need for them existed.

On adoption of the ordinance declaring the need for the Authority (Section 34240), the Mayor appointed seven Commissioners, two of whom are tenants of the Housing Authority (Section 34370.1). The powers of the Authority are vested in these Commissioners (Section 34275). On adoption of the ordinance declaring the need for the Redevelopment Agency (Section 33101), the Mayor with approval of the Board of Supervisors (note: no approval required for Housing Commissioners' appointments), selected seven Redevelopment Commissioners. Tenants of the Housing Authority may be included in such 7 Redevelopment Commissioners (Section 33110). The powers of the Redevelopment Agency are vested in its Commissioners (Section 33121).

Alternatively, the Board of Supervisors may appoint itself as the Commissioners of Redevelopment (Section 33200). Also the Supervisors may appoint themselves as the Commissioners of the Housing Authority. The Supervisors, however, must appoint two tenants as Commissioners to serve with them if they elect this latter alternative (Section 34290).

If the latter course is chosen the Supervisors must also appoint a Housing Commission (Section 34291), and said Housing Commission shall review and make recommendations on all matters to come before the local Housing Authority (actually, the Board of Supervisors) prior to Authority action, except emergency matters, and matters which the Housing Commission, by resolution, excludes from its review (Section 34292). If a Housing Commission is so created, the Supervisors may appoint two tenants to the Housing Commission, if the Housing Commission does not have more than seven commissioners; but the Supervisors may, by ordinance, reduce the number of members of the Housing Commission in order to appoint said Tenant Commissioners (Section 34290).

The Board of Supervisors may, by ordinance (Section 34115), create a Community Development Commission in order that San Francisco may have the option of operating and governing its Redevelopment Agency, or its Redevelopment Agency and its Housing Authority, under a single operating entity and board (Section 34112). The Board of Supervisors may declare that the Community Development Commission function only with respect to the Redevelopment Agency. In that case, the Community Development Commission shall not have Housing Authorities responsibilities, and the provision below requiring that two of Community Development Commissioners be Housing Authority's tenants shall be inapplicable (Section 34115.5).

The Board of Supervisors may, by ordinance, declare themselves the Community Development Commission in which case, all rights, powers, and duties vested by Parts 1 and 2 in the Redevelopment Agency and the Housing Authority respectively (depending on whether the Supervisors declare that the Commission function with respect to the Redevelopment only, or to the Redevelopment Agency and the Authority) shall be vested in the Board of Supervisors (Section 34141). If the Supervisors elect to act as the Community Development Commission with respect to the Redevelopment Agency and the Housing Authority, the Board must appoint to themselves two additional Commissioners, one of whom is over 62 years old, who are tenants of the Housing Authority (Section 34120).

If the Supervisors declare themselves to be the Commission pursuant to Section 34120, they may, by ordinance, create a Community Development Committee of not more than seven members, or of not more than nine members if tenant appointments are made therein in lieu of the Section 34120 requirement that tenants be appointed to the Board of Supervisors. If the Community Development Committee is created, its function shall be to review and make recommendations on all matters to come before the Commission prior to Commission action, except emergency matters, and matters which the Committee, by resolution excludes from its review and recommendation (Section 34120.5).

When the Board of Supervisors adopts an ordinance declaring the need for a Community Development Commission, the Mayor, with approval of the Supervisors, shall appoint resident electors of San Francisco

as Commission's members. The Supervisors shall prescribe by ordinance the number of Commissioners, as well as their terms and conditions of service (Section 34130). Two of the Commissioners must be tenants of the Housing Authority; one of whom is 62 years or older. Tenants shall serve for two years, and must remain residents of the Housing Authority during such term (Section 34130).

Upon appointment of the Community Development Commissioners, the preexisting Commissioners of the Redevelopment Agency, and the Housing Authority, as the case may be, shall have no powers or responsibilities as long as the Community Development Commission functions (Section 34130). The Community Development Commissioners shall not be subject to San Francisco's Civil Service rules and regulations and the Community Development Commission shall not be a department of the City (Section 34146). However, the Commission is authorized to delegate to the City of its origin any of the Commissioners' powers and duties (Section 34152). Also, the Board of Supervisors may delegate to the Chief Administrator of San Francisco or to the General Manager or Executive Director of the Commission any or all of the powers and authority of the Commission. The Commission may also delegate to the Chief Administrator of San Francisco or to the General Manager or Executive Director of the Commission any or all of the powers and authority of the Commission (Section 34152).

GEORGE R. MOSCONE, Mayor
Howard M. Wallace, President
Joan-Marie Shelley, Vice President
Dian Blomquist
Rubin Glickman
Walter F. Kaplan
Melvin D. Lee
Hannibal A. Williams

SAN FRANCISCO REDEVELOPMENT AGENCY
939 ELLIS STREET • SAN FRANCISCO 94109
ADDRESS MAIL TO POST OFFICE BOX 646 • SAN FRANCISCO, CALIFORNIA 94101
(415) 771-8800

REFER TO

July 17, 1978 101-06378-140

Mr. Harvey Rose, Budget Director
and Analyst
Bureau of the Budget Office
227 City Hall
San Francisco, California 94102

Dear Mr. Rose:

This is to provide initial comments on the draft document that results from your review of the operations of this Agency and the San Francisco Housing Authority. It must be emphasized that these comments represent our preliminary reactions to your report and are intended to comply with your request for a response on the factual content of the report within five working days. A much greater time period will be necessary for in-depth comments and to present the basis for Agency policy decisions not taken into account by the document. Therefore, we reserve the right to present additional information relative to your report and its major conclusion that the Agency and the Housing Authority should be combined and made administratively accountable to the Chief Administrative Officer. We do not believe that to be in the best interest of the City, this Agency or the Housing Authority.

In regard to the Agency's relocation activity, your conclusion is that relocation administrative costs are excessive at the project site offices. This is not based on current information and therefore, your recommendation concerning transfer of Agency relocation staff from the site offices to the Central Office and the reduction of the number of staff by 14, from 22 to 8, is somewhat invalid. The Agency has already, effective January 1, 1978, reduced relocation staff in the 1978 budget by 11 positions at an annual savings of $250,000. Your assumption that the implementation of this recommendation will result in a savings/benefit of at least $300,000 should be adjusted accordingly.*

As part of its continual review of staff deployment, the Agency has effected a reorganization of the relocation and property management functions. This reorganization has resulted in a net reduction of Agency-funded staff by 11 positions, retaining eight in the Western Addition and three in Hunters Point. The attached Exhibit A sets forth these assignments. Additional support is being provided by five CETA positions. No increase in this staff level is anticipated during the remainder of 1978, and this pattern is currently being shown in the Agency's 1979 CDBG budget request.

Response of the Bureau of the Budget:
*See Page 16 of our report

40% recycled material

The task force that you identify with regard to the Agency's relocation activities has been eliminated by the reorganization and the duties assigned as part of the regular staff workload. This review of earlier claims paid and of inactive case files is a matter of Agency policy, and we acknowledge that it is not required by HUD regulations. However, because changes in HUD regulations over the past several years have significantly altered benefits for which displacees are eligible and have established rather arbitrary cut-off dates for eligibility, we feel it is our obligation to review these files to determine that maximum benefits for which persons are eligible have been paid. It is also our position that the Agency has the obligation to seek out persons who were, for various reasons, unaware of, or neglected to take advantage of, their legitimate benefits under the renewal process.

We anticipate that this activity will be completed in Western Addition by the end of 1978 and in Hunters Point in the latter part of 1979. A cost benefit comparison of administrative cost ($240,772) to actual relocation benefits paid ($1,502,773) over the life of this activity, 1974 to 1977, indicates a ratio of $.15 in cost to every dollar paid in benefits. We do note however that the comparison is virtually dollar-for-dollar over the last year. We will therefore accelerate the reduction of time charged to this activity.

Your general comments on relocation administrative costs in the Western Addition and Hunters Point during the fiscal year ending September 30, 1977, reflect insensitivity to the fluctuation in relocation activities over the life of any given renewal project. A true determination of the ratio of administrative costs to relocation benefits requires a similar evaluation of a several year period. Our experience has been that at a point two to three years after a project begins, highly mobile persons with more awareness of their housing opportunities and options readily take advantage of relocation benefits. This creates an untypical curve in the schedule of relocation activities in the latter stages of project execution.

Both the Western Addition and the Hunters Point projects are now at the point where staff is dealing with those persons to be displaced who have the most significant social and economic problems and are less sophisticated than the general citizenry. Much greater effort is consequently necessary to explain their opportunities as a result of renewal activities, in generating the required information to document their benefit packages, and in effecting their successful relocation. Administrative costs are therefore higher than in previous years.

The document also addresses the legal necessity for continuing expenditures for project area committees and represents that this is in keeping with the Housing Act of 1974 which appeared to mandate less participation than renewal programs had previously required. The present national administration has recognized this as an omission and is moving to intensify citizen participation in all community development activities. This recognition of the need for citizen input is being reflected in recently published regulations which strengthen the requirement for community input at all levels.

Funding of staff for project area committees is not provided by the Agency in response to legal requirements. It is a policy decision based on a conscientious effort to respond to the need for community involvement in the critical work involved. Paid

staff for project area committees is absolutely essential to the timely completion of execution activities. It is during execution of projects that community people are demanding to be involved in the decisions affecting development in their respective communities. The demands of understanding governmental policies and programs, of preparing and responding to correspondence, of synthesizing community ideas into cohesive presentations and of assuring wide-spread distribution of information, justify the need for funded positions in our respective project area committees. Such community representation requires a professional capacity to be effective. No volunteer group could be sufficiently versed to adequately provide citizen input.

The Agency remains available for discussion of these matters as you may require, and these comments are intended only to address the areas on which you asked the Agency to comment. The Agency will present a response that addresses the report's final conclusions in the appropriate forum.

Sincerely,

Wilbur W. Hamilton
Executive Director

Attachment

Exhibit A

Agency-funded Relocation and Property Management Staff Assigned to Site Offices

A. Western Addition

Relocation

1. Assistant Residential Relocation Supervisor
2. Community Services Representative III
3. Community Services Representative II
4. Social Services Specialist
5. Administrative Assistant I
6. Senior Clerk Typist

Property Management

1. Assistant Property Manager
2. Administrative Assistant II

B. Hunters Point

1. Assistant Property Manager
2. Community Services Representative III
3. Senior Clerk Typist

SAN FRANCISCO
HOUSING AUTHORITY
[illegible] STREET • SAN FRANCISCO, CALIFORNIA [illegible]

July 17, 1973

Mr. Harvey M. Rose
Budget Director and Analyst
Bureau of the Budget
Board of Supervisors
City Hall, Room 281
San Francisco, California 94102

Dear Mr. Rose:

This is to transmit the Housing Authority's response to the draft document entitled "Review of the Operations of the San Francisco Housing Authority (SFHA) and the San Francisco Redevelopment Agency (SFRA)" delivered to us last Monday, July 10th.

In so far as the five (5) day time constraints allowed us, we have attempted to answer each of the audit findings pertaining to our Agency.

Very truly yours,

Walter L. Scott, II
Executive Director

WLS:mc

The Housing Authority had looked forward to the Bureau of the Budget survey in the hope that an outside agency might provide a fresh approach in dealing with some of the pressing problems connected with being the only local entity charged with owning, managing and maintaining housing for poverty-stricken families and individuals. Coping with the ever-increasing complexities of Federal funding, a bureaucratic multiplicity that currently forces the Authority to concurrently maintain twenty-seven (27) separate budgets, is an example of an area where we are avidly seeking and would thankfully receive any and all suggestions.

During the hundreds of hours Housing Authority Staff spent with members of the survey team in the ten (10) months that the study was in progress, SFHA came to believe that the study would deal with specific problems and that the recommendations would contain some real answers.

Authority personnel who worked most closely with the survey team were dismayed, therefore, to discover that the Bureau of the Budget's findings consisted mainly of a re-hash of the old HUD Management Audit of 1971, a study that was conducted for the most part by HUD interns instead of trained auditors. Many of the findings in the 1971 exercise are obsolete, some have been discredited and HUD has disavowed others. The fact that each point in the HUD audit was negotiated and settled with the Federal Department was ignored.*

Also ignored was the fact that the Housing Authority was the pioneer among such agencies in the United States in negotiating with its residents methods providing for strong resident participation in the formulation of programs affecting the public housing areas. The San Francisco Housing Authority and its residents together drew up a model lease and worked out a resident grievance procedure that has since been used as a guide by many other Authorities across the Nation.

The Housing Authority finds almost nothing with which it can agree in the Bureau of the Budget's survey for the reasons listed below:

Response of the Bureau of the Budget:

*Any references to the 1971 HUD audit are for background information. All deficiencies disclosed in this report by the Bureau of the Budget are current.

(Continued)

1. One of the first (and major) points the Bureau of the Budget makes in its findings on the Housing Authority is that Authority "wages and benefits for one-hundred and sixty-two (162) craft employees are approximately thirty-one (31%) percent in excess of the San Francisco City and County rates....."

   A comparison of the maximum rates for comparable maintenance classifications in the Housing Authority and the City and County will show that the Authority rates average eight-point-eighty-three (8.83%)* higher than those listed in the Annual Salary Ordinance.

   Whether or not the Authority's contributions into fringe benefit funds is cost effective when compared to the City and County benefits might be a subject for speculation but certainly not for action at this time. It involves vested rights, court decisions on the legality of continuing past practices and the fact that the Authority currently is in negotiation with nine (9) craft unions under requirements of the Meyers-Millas-Brown Act.

   The Bureau of the Budget's finding overlooks the fact that for most of its existence the Housing Authority had nothing to do with setting the wage rates and fringe benefit contributions for craft workers. Such wage rates were certified by HUD and its predecessor, the Public Housing Administration, to the Housing Authority for payment. Fringe benefit payments deemed acceptable to the Federal Government were also certified.

   Over the years, many past practices became firmly established along with wage differences because of the Federal practice. It has only been in recent years that HUD has allowed the Housing Authority freedom to negotiate with employee organizations on wages and benefits.

2. The reported loss by the Housing Authority of two-point-eight Million ($2.8) Dollars in HUD funds to construct scattered site public housing in the Western Addition in 1976 is not factual since, by mutual consent between the Housing Authority, the City, and HUD; it was agreed that a Section Eight (8) new construction scattered site project in the Western Addition would be a better program

Response of the Bureau of the Budget:

*This percentage completely ignores the excessive fringe benefits paid by SFHA.

(Continued)

(2). with substantially higher available HUD subsidies to cover operations and maintenance after the project was completed.*

HUD has offered a new Section Eight (8) project for the Western Addition which will involve over three million ($ 3,000,000) dollars in development cost and approximately twice the operating subsidy for operations, than would have been available if the previously planned public housing project for the same area had proceeded.

The further reported additional loss of two-point-four million ($ 2.4) Dollars due to inflation cost increases, due to mismanagement on the part of the Housing Authority is also not factual since delays in proceeding with use of HUD funding was based on indecision on the part of HUD in Washington, D. C. with respect to the extent of demolition that would be approved.

The HUD decision has still not been made with respect to the large number of three-story buildings involved in the Target Projects Program of Hunters Point. The thirty (30) units reported as being rehabilitated was accomplished entirely by use of Community Development Funds, rather than TPP HUD funding.

The reported fact that rehabilitation cost of forty-five thousand ($ 45,000)**dollars per dwelling unit in the Hunters Point area approximates the construction cost of new single family homes is also in error. New construction cost of single family homes in the Hunters Point area would approximate sixty-five thousand ($ 65,000) Dollars.

As indicated by the report of the Bureau of the Budget, the TPP construction program has been delayed. However, four-hundred and thirty (430) units of rehabilitated housing will be advertised for construction bids during July and August of 1978, and we are anticipating starting construction on these four-hundred and thirty (430) units in September. Additional housing units are in final planning stages for the Western Addition as well as one-hundred (100) units in an innovative housing program at Inchon Village to provide for the first time, home ownership opportunities to low-income public housing residents.

Response of the Bureau of the Budget:

*No documentation has been presented to dispute the fact that SFHA has lost $2.8 million and failed to construct 60 units of public housing for San Francisco low income families.

**The $45,000 amount is contained in a January, 1978 cost study by the Bank of America.

(Continued)

(2). With reference to the allegation regarding inability to complete the Hunters Point TPP rehabilitation program because of cost factors, we have received assurances from the Secretary of HUD that additional funds will be forthcoming to the Housing Authority to complete the remaining units in Hunters Point. This commitment was made in recognition of the Housing Authority's innovative approach to provide a multitude of housing opportunities for low-income families as evidenced by the TPP, Inchon Village, Section Eight (8) and other housing delivery techniques.

3. A specific finding of the Bureau of the Budget indicated that individual budgets were not available on a project-by-project basis nor were prior HUD audits corrected on a timely basis. The Bureau of the Budget failed to mention that the Housing Authority under its Annual Contributions Contract (ACC) is required to operate under a consolidated budget approach. This has been the policy of the Department of Housing and Urban Development for many years and just recently has HUD recognized that individual project budgets have, in fact, certain advantages relative to assessing costs more correctly than the consolidated budget approach.*

   At the present time, the consolidated budget approach is still the approved United States Department of Housing and Urban Development policy.

   The San Francisco Housing Authority is developing currently an internal performance budget approach for each project which will permit more meaningful budget control and accountability.

   The Housing Authority is aware, as is the Department of Housing and Urban Development, of certain accounting deficiencies as they relate to prior HUD audits. Major administrative changes are presently taking place to correct the audit response problem.

   This includes appointments of new key staff covering administrative supervision of the day-to-day accounting and internal audit operations, expansion of accounting staff as needed, and expediting the automation of general accounting and budgeting systems on SFHA's computer.

Response of the Bureau of the Budget:
*HUD regulations have never precluded the providing of individual budgets to Operating Managers.

4. The Bureau of the Budget has recommended that the San Francisco Housing Authority pay to the City of San Francisco approximately two-hundred thousand ($ 200,000) dollars payment in lieu of taxes (pilot) annually, and at this time should remit to the City of San Francisco one-million ($ 1,000,000) Dollars for obligations from prior years. This finding did not take into consideration the public services that the San Francisco Housing Authority performs that should more properly be the responsibility of the City of San Francisco. The cost for these services have in the past five (5) years exceeded one million ($ 1,000,000) dollars.

There are, for example, twenty-five thousand, one-hundred and eighty-five (25,185) feet of dedicated public right-of-way in or adjacent to forty-three (43) developments owned and managed by San Francisco Housing Authority. Due to a lack of service by the City and County, San Francisco Housing Authority has been forced to assume responsibility for street cleaning and repairs on these public thoroughfares at an annual cost of one-hundred and forty-seven thousand, eight-hundred and thirty-five ($ 147,835) dollars for a five year total of seven-hundred and thirty-nine thousand, one hundred and seventy-nine ($ 739,179) dollars.

Although no exact breakdown on sewer cleaning is available, it is estimated that forty-thousand, five-hundred and fifty-one ($ 40,551) has been spent on labor alone in connection with sewer cleaning and storm drain flushing under accepted streets during the past five years.

The Housing Authority Police unit receives an average of one-hundred and ninety-five (195) calls per month, in addition to eighty-five (85) calls per month to back-up the SFPD. Two officers and vehicles respond to each call. The total, over a five (5) year period for these functions are six-hundred and fifty-four thousand, nine hundred and seventy-five ($ 654,975) dollars. *

The Bureau of the Budget erroneously reported that SFHA had received funds from HUD to make annual payments in lieu of taxes when, in fact, any payments that are made are paid for out of a share of the public housing residents' rental payments, and not from HUD. **

5. The figures quoted concerning rent delinquency are inaccurate and misleading in that they represent past debits, do not show decreases since that date and currently, do not represent actual active debit balances, do not differentiate between active and vacated balances, and do not distinguish between rent and charges debits.

Over $485,000 of total debits is composed of accounts of tenants who have moved out owing delinquent balances. Two-Hundred-Forty-Thousand ($240,000) Dollars of this debit may be directly traced to a rent strike and eviction moratorium during 1966-1968. Of the total delinquency alluded to as "active and vacates", approximately $185,000 are charges (and not rent debit balances), which present state law precludes the Authority from suing for in an eviction action. The present actual debit amount of SFHA active rent accounts is approximately $219,000, once charges are deducted. This figure represents a decrease (in terms of rent & charges) over the past 4 months of $60,000, or $15,000 per month. This progression, when projected over 12 months, would yield a gross decrease in debits of $180,000. In the last 4 months the collection percentage for the entire Authority has averaged 98% on current month's rent. Over 1,000 Unlawful Detainer actions for non-payment of rent have been filed by this agency since its fiscal year, Oct. 1, 1977. However, 85.2% of SF public housing families are Aid for Dependent Children (AFDC) recipients. A policy of wholesale evictions (as the auditor's report appears to recommend) would be unwarranted, insensitive and wholly inhumane. ***

Response of the Bureau of the Budget: See following page 84a

6. The Housing Authority Commission at its meeting on June 29, 1978, approved a new purchasing policy that will correct the deficiencies previously uncovered by the Authority and indicated in the Bureau of the Budget report. In addition, the Authority is presently developing a modernized inventory control system. This was underway prior to the Bureau of the Budget's study.

7. The Bureau of the Budget audit finding regarding the excessive salaries to its executive staff when compared with other Housing Authorities failed to recognize that the San Francisco Housing Authority is required under the annual contributions contract with the Federal Government to base its personnel benefits and salaries on local public practice. The policy at the San Francisco Housing Authority is based on comparable executive positions in the City and County of San Francisco, including the salaries of the Redevelopment Agency. The practice of using local comparability is in accordance with HUD policy. *

   A cost benefit analysis study was completed re the payment of automobile allowances, and it is in fact more cost beneficial to the Housing Authority than providing additional automobiles where all costs such as maintenance, fuel oil, tires, depreciation, insurance, etc. are paid for by the individual receiving the allowance. **

8. The audit finding with reference to excessive travel costs failed to recognize substantial program benefits that have been achieved by the San Francisco Housing Authority. Most of these additional program benefits were the result of direct negotiations with key federal officials and elected representatives.

   The use of the comparison with smaller Housing Authorities is not a valid comparison. *** The statutory overview attached to the Bureau of the budgets Draft report is legally inaccurate, as it confuses certain functions of the legislative body. The California Health and Safety code allows the legislative body herein the Board of Supervisors, to either declare themselves to be the Redevelopment Agency 33201 and declare themselves to be the Commissioners of the Housing Authority 34290 or declare themselves to be the Community Development Commission for the Redevelopment Agency or the Redevelopment Agency and the Housing Authority.

   In the alternative, the Board may declare a need for a Community Development Commission to operate both agencies outside of the City and County government 34130. However, to do this the ordinance declaring such action is subject to referendum as prescribed by law 34115. §_6_

Response of the Bureau of the Budget: See page 85a

Response of the Bureau of the Budget:

*While our finding of excessive salaries stands, the comparisons with other housing authorities has been deleted. The executive salaries of the SFRA were reviewed by the Civil Service Commission in 1977. The salary of the Executive Director of the SFRA is $51,350 and this position does not receive a cash automobile allowance. Instead, a vehicle is assigned to the position.

**Insufficient documentation has been provided to justify the cash automobile allowance.

***This is item 9 of the SFHA response. The pertinent recommendations contained in our report would be implemented in compliance with all State law and Charter requirements.

The overview confuses these parts and attempts to cite sections referring to the alternative method (34130) as sections governing the board declaring themselves to be the Community Development Commission as recommended by this draft report.

The report cites Section 34152 and suggests the legislative body and the Commission may delegate to the Chief Administrative officer of San Francisco any or all powers and authority of the Commission.

This section, however, allows a Community Development Commission created outside of the legislative body to delegate certain of its functions to the City or County. However, when the legislative body is the Commission, its authority to delegate certain of its functions (34120) are subject to state statute and the City Charter of the City and County of San Francisco. Although the State Statutes are permissive, the City Charter is not. To create the kind of agency alluded to in the report would require charter amendments.*

Although specific comment was not made by the Bureau of the Budget regarding any positive program activities the Housing Authority is taking, we must report on the following.

The Housing Authority during the first eighteen months of the present administration has instituted major program shifts that will correct long standing public housing deficiencies. As an example of the new program approach being taken, the housing project in the Western Addition known as the "Pink Palace", where crime and management problems have always been a concern is presently under-going a major policy change. The "Pink Palace" is presently being converted from a family highrise facility to an elderly facility, with the understanding that additional security, management and social services programs will be put in place once the conversion is completed. This is a unique undertaking, and demonstrates the program goals and directions that are being developed presently in the San Francisco Housing Authority.

Serious management and maintenance problems have existed for many years in our Potrero Annex family project where vandalism, crime and vacancies caused a blight on the community. The current Housing Authority Administration has developed and received funds from HUD to repair these vacant, abandoned units so they can be added to the existing housing inventory.

Response of the Bureau of the Budget:
*See SFHA Summary page 6 for our comment. (report page 85a)

SUMMARY

The Housing Authority is committed to its Program of resident participation. It has encouraged strong resident organizations and it respects and acts upon their recommendations. This commitment exists from the Commission to the janitors.

There is a strong managerial reason for the years of effort that have gone into developing the current relationship with resident organizations. The Housing Authority's only reason for existence is to provide low-rent housing. It does not develop property for use by commercial endeavors. It does not turn its housing properties over to other corporate entities to manage and maintain. It does not deal in land clearance or speculation. It seeks no financing other than Federal guarantees for its construction.

The Housing Authority furnishes housing for the poor and, especially the poorest of the poor. It does not agree that any super agency or any added layer of bureaucracy can do the job as well as it's being done. The Federal government, through disastrous experiences in other areas, agrees with this viewpoint so strongly that HUD has adopted a national policy opposing the integration of Housing Authorities into Development Departments.

The following is quoted from HUD direction in the case of a large Eastern city:

> "We request that you promptly separate the Housing Management Operations and the Renewal Operations into two separate and distinct agencies, each with its own Board of Commissioners, Executive Director and Staff ..."
>
> And again:
>
> "We find your (Development Department) organization top-heavy with its three ranks of executive supervision standing between project managers and the Executive Director...."
>
> And once again:
>
> "We request that you promptly restructure the Housing Management Operations, not waiting for any legal separation of the Authority if it takes longer than thirty (30) days to accomplish, by decentralizing the present Departments of Development, Maintenance Services and Management Services....."

RESPONSE

OF

THE HOUSING AUTHORITY
OF THE
CITY AND COUNTY OF SAN FRANCISCO

TO THE

BUREAU OF THE BUDGET

"REVIEW OF THE OPERATIONS OF THE
SAN FRANCISCO HOUSING AUTHORITY

AND THE

SAN FRANCISCO REDEVELOPMENT AGENCY"

-o-

JULY 17, 1978

INTRODUCTION TO SAN FRANCISCO HOUSING AUTHORITY RESPONSE

Pursuant to the request of the Bureau of the Budget, the San Francisco Housing Authority has reviewed in detail the report to the President and the Finance Committee of the Board of Supervisors regarding the operations of the Housing Authority and the San Francisco Redevelopment Agency. As suggested by the Bureau of the Budget, we have included in this report a point by point response to the various allegations pertaining to the San Francisco Housing Authority. The Housing Authority had serious concern regarding the validity and thoroughness of the Bureau of the Budget audit. Very basic, fundamental program directions were misunderstood or completely ignored in the report. The report failed to recognize the unique differences between the San Francisco Housing Authority and the San Francisco Redevelopment Agency and chose either by neglect or design to ignore major program areas.

Throughout the report the Bureau of the Budget chose to use inaccurate or misleading comparisons in almost every instance when such comparisons were used. Even the continued use of statistical information was slanted to portray the Housing Authority in as much of a negative position as possible. As an example, throughout the report reference is made numerous times to the size of the Housing Authority as it relates to the number of units we manage and control. The Bureau of the Budget chose to use the figure of 7,132 dwelling units and continually ignored the substantial number of units occupied or authorized under our various housing programs such as Section 23 and Section 8 Programs.

The Housing Authority, in fact, controls and operates more than 9,100 units of assisted housing. Throughout the report the Bureau of the Budget chose to use the incorrect figure of 7,132 units in a comparative manner when such figures in reality are erroneous.* In certain sections of the report the Housing Authority is compared with other Housing Authorities such as those in the cities of Fresno, Sacramento and Oakland in such a manner as to indicate that the San Francisco Authority is grossly inefficient in comparison to these other agencies. A more realistic and factual approach to making any comparisons, if comparisons are to be made, would have been with major urban central cities where similar cost factors, labor practices, management problems and number of housing units exist. The Bureau of the Budget report refuses to make any valid comparisons with other, similar size housing authorities in central cities which would have been the proper methology for any report done on a comparative basis.**

Meaningful accomplishments regarding the Housing Authority's outreach programs to low-income and minority families were not mentioned anywhere in this report. The Housing Authority's employment practices to "reach out" and for the first time give employment opportunities to the low-income public housing residents that now consti-

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Response of the Bureau of the Budget:

*The leased units vs the owned units have been clarified in the report.

**In our judgment valid comparisons have been made, including comparisons with the City of Los Angeles.

tute more than 25 per cent of its total employment was completely ignored. For the first time in San Francisco's history, a Black female, public housing resident has been selected as Chairperson of the Housing Authority Commission, and for the first time permits strong resident leadership to participate in the decision-making practices. Is this not a matter that should have been examined or, at least, mentioned?

The public housing program is basically a federally funded program and, since this funding is contingent upon the various political philosophies of the different administrations, it has had to survive numerous assaults on its public mandate. We have failed to find in the records of any previous attack the blatant bias, arrogant use of mis-information and outright dishonesty that blares from the Bureau's report. The Bureau of the Budget report, as an example of its biased approach in a number of instances throughout the report, emphasized the lack of construction activities on the part of the Housing Authority. It failed to report that it was a federally-imposed construction moratorium by the Nixon Administration which precluded any public housing construction.

The Bureau of the Budget report focused on the lack of housing opportunities for low-income families in San Francisco but it failed to report that we have produced over 1,500 housing accommodations for low-income families through our Section 23 and Section 8 Programs during the federally imposed construction moratorium.

The Bureau of the Budget Audit in numerous instances throughout the report compared the San Francisco Housing Authority with the San Francisco Redevelopment Agency, a comparison that has no validity in fact. The report failed to even recognize the different program directions required of both agencies.

Public housing by its very nature is a non-glamorous day-to-day housing management program. Activities such as property management, maintenance, security, social services, employment opportunities for minorities and residents, do not by their nature attract broad public support. Despite big gains, we live in a conservative society. Programs to provide services to disadvantaged citizens are constantly questioned and their validity as a function of government is continually being attacked.

We are familiar with such attacks, and our response to honest question and complaint is never lacking. We admit to an unfamiliarity with the type of attack contained in the Bureau's study and we must rely to a great extent on its inaccuracies to expose themselves. In deference to the Board of Supervisors we have, however, attempted to respond to the study point-by-point, hoping our replies will help uncover whatever is behind the Bureau's ill-conceived document.

FINDING

Housing Authority wages and benefits for one hundred and sixty-two (162) craft employees are approximately thirty-one (31%) percent in excess of the San Francisco City and County rates for comparable craft classifications. As a result, the Housing Authority pays excessive wages and fringe benefits of approximately one million ($ 1,000,000) dollars annually. Further, the Housing Authority uses higher wage construction craft classifications for work that could be accomplished by lower wage general maintenance classifications. This results in the incurrence of additional executive wages.

SFHA RESPONSE

The Review of Operations selects for its jump-off point in this section recommendations made by the HUD Management Audit of 1971 "to correct high wage rates and benefits."

The genesis of the Housing Authority's wage and fringe benefit structure as it applies to craft workers actually is found in the Federal Government's interpretation of sections of the Consolidated Annual Contributions Contract outlined in full under Labor Provisions Applicable to Operation.

Under the interpretation of the Public Housing Administration -- predecessor to the Department of Housing and Urban Development -- the setting of wage rates and fringe contributions was the prerogative of the Federal entity. In practice, for many years prior to HUD's 1971 audit, any request made to the Housing Authority by a group of craft workers regarding wages and/or fringes was summarily passed to the Federal regional office. It was approved or rejected at that level and the workers were so informed.

It was this procedure that, on January 25, 1966, caused the Personnel Committee of the Commission to recognize and formalize the practice with the adoption of a policy statement, an amendment to the Authority's Personnel Policy, Rules and Regulations and notification to the Regional Director of the Public Housing Administration that Authority practice was in compliance with Federal policy. (See Attachment "A".) This practice was followed into mid-1972 when, abruptly, HUD ceased acknowledging wage adjustment requests.

The only explanation was that Mr. William E. Riker, Regional Labor Relations Officer, had left HUD and that no replacement had been appointed.

Meanwhile, in following recommendations made in the HUD's 1971 Management Audit, the Authority had entered into negotiations with the San Francisco Building and Construction Trades Council to explore the possibility of a joint approach to the replacement of craft classifications with general maintenance mechanic classes.

Negotiations became stalemated under the contention of the craft unions that the employment of individual crafts workers was a firmly established past practice of many years standing and that the practice had been instituted in conformance with Federal practice and Commission policy. In an effort to break this stalemate, HUD assigned Mr. Charles T. Muntain, Assistant for Labor Relations to the Secretary of HUD, to San Francisco to explain to the craft unions the new maintenance labor policy favored by the Federal entity. Mr. Muntain left this area after several days and made no report of his findings to Staff or the Commission.

His action, in effect, left the Housing Authority out on a limb, and resulted in a strengthening of the union position. The Authority found itself trying to implement a policy recommended by HUD, but not backed up with any regulation or directive. The HUD Area and Regional offices refused to participate in negotiations. The HUD Central Office, in the person of Mr. Muntain, had fled the field in defeat.

At the same time, HUD refused to relinquish its direct control over negotiations, maintaining its right under Federal Regulation to approve or disapprove anything that was agreed upon in the Authority/Union Meetings.

On March 2, 1973 HUD withdrew somewhat from its position of control. HUD Area Director, James H. Price, in a letter to Mr. Stephen Walter, Interim Chairman of the Authority, stated:

> "This letter will confirm our discussions with you last week concerning HUD's current position on the recommendations of our recent comprehensive management review of your Authority."
>
> "You are correct in your conclusion that our approach to the labor relations recommendations of the review in particular had recently been modified. HUD Circular 747.12, ... emphasizes HUD's desire 'to strengthen local responsibility for the administration of the low-rent housing program by reducing the degree of Federal oversight of the Program and to

" 'encourage greater management efficiency on the part of Housing Authorities.' That is why our February 1st letter stated that our management review recommendations were to be considered suggestions rather than mandates and left the final decision to your Authority on the settlement of your current labor problems."

Commissioner Walter construed Mr. Price's letter as freedom from Federal constraint and the Authority went back into negotiations in that spirit.

The issue of establishing a general maintenance mechanic classification to replace the craft classifications was set aside.

The Unions' argument that the Authority's comparability base, the City and County of San Francisco, had no such classification and, in fact, had blessed the various craft designations with Civil Service status, was unassailable.

The Commission's 1966 Policy Statement was a point continually used by the Unions in arguing that the Authority was committed to maintaining wage parity with private industry.

To get around that snag, the Authority decided to use one Federal Agency to undo that which had been forced upon the Authority by another Federal Agency. The Authority sought advice from the United States Civil Service Commission and two technical assistants from the Department of Inter-Governmental Personnel Programs were assigned to help us out of our dilemma.

The result was an entirely new Personnel Manual, which, following its adoption by the Commission, lsuperseded that containing the 1966 "Classification, Pay and Fringe Benefit" provision.

The Authority was finally free to negotiate on an equitable basis with Unions representing its Maintenance Department employees. Wages for all maintenance employees were frozen at the 1976 level and have remained frozen at that level, up to the present time.

It was agreed, on the advice of Authority Legal Counsel, that maintenance employees had a vested interest in certain fringe benefit funds and that the Authority in negotiations should agree to maintain such interest. On other fringe items, such as payment

into vacation funds, it was decided that, from a standpoint of service as well as cost, it was to the Authority's advantage to continue the past practice instead of having to confront the expense of vacation replacements.

Our position in the meet and confer sessions with all of the nine Unions representing maintenance employees has been simplified to this framework:

> We will not discuss wages. Wages are not an issue and will not be considered an issue until some future date.
>
> We will negotiate on fringe benefits in return for Union consideration of a standardized eight (8) hour work day, forty (40) hour work week for all maintenance classifications.
>
> At the present time, the Authority has reached tentative agreements with two Unions based on our primary conditions. Negotiations are in progress with the remaining Unions.
>
> The current Authority maintenance wage rates under the freeze are not those listed as "SFHA Budgeted Hourly Wages: on Page 19 of the Review of Operations." The following table is the actual Housing Authority maintenance wage structure:

SFHA - CLASSIFICATION	EFFECTIVE DATE	HOURLY WAGE RATE	
CARPENTER, JOURNEYMAN	6/16/76	$ 11.25	
CARPENTER, FOREMAN	6/16/76	12.25	
PAINTER, JOURNEYMAN	7/1/76	10.77	(Painter/Taper $11.72)
PAINTER FOREMAN - 3/More Men	"	11.54	
PAINTER FOREMAN - 5/More Men	"	12.31	
PAINTER FOREMAN -10/More Men	"	13.08	
GENERAL PAINT FOREMAN	"	13.46	
ELECTRICIAN, JOURNEYMAN	9/19/76	13.835	
ELECTRICIAN, FOREMAN	"	15.56	
PLUMBER, JOURNEYMAN	4/1/76	11.75	
PLUMBER FOREMAN 1/5 MEN	"	12.455	
PLUMBER FOREMAN 6/9 MEN	"	12.81	
PLUMBER FOREMAN 10/24 MEN	"	13.16	

Response of the Bureau of the Budget: - See following page 94a

Response of the Bureau of the Budget:

*The rates shown in our report on page 20 are budgeted salaries as approved by HUD. Actual salaries and fringe benefits, which are currently being paid, are $638,668 annually in excess of City and County rates.

LINOLEUM LAYER (SOFT TILE WORKER)	8/1/76	10.45
GLAZIER	7/1/76	$11.23
HEATING ENGINEERS (PLUMBERS LOCAL#38) (STEAMFITTERS)	4/1/76	11.75
LABORER I	6/16/76	8.045
LABORER II	"	8.145
LABORER FOREMAN	"	9.045
SHADEMAKER	8/1/76	6.663
RESIDENCE CARETAKERS	7/1/77	Bi-Weekly $386-$463 Hourly Rate $4.825 - $5.788
RESIDENCE CARETAKER FOREMAN	7/1/77	$463-$557 Hourly Rate $4.825 - $6.963

In connection with the Review's comments on "Correct Classification of Maintenance Positions," the Authority does use employees in the "Laborer" classification to sweep grounds and clean vacant apartments in addition to other laborer duties. In this instance, the Authority finds itself in the same position as that of the City and County government in its employment of street sweepers and groundsmen. If the City were to adopt a general handyman classification to cover such work, the Housing Authority would immediately seek to change its staff classifications so as to be in comparability.*

The same comparability situation applies to assigning "light work" now performed by plumbers and other skilled craftsmen to other less-skilled workers. The craft designations and jurisdictions have been embodied in the City and County Civil Service classes. The City and County is our comparability base.

Response of the Bureau of the Budget:

*The City has adopted general maintenance classifications as appropriate. For example, the Department of Public Works has a street cleaner classification which is paid a maximum of $6.90 per hour and lower fringe benefit rates. Further valid comparisons have been made with other housing authorities.

The Review seeks to compare the San Francisco Housing Authority with those in Oakland, Sacramento and Fresno. There is no comparability to be found with these comparatively small Authorities from the standpoint of units under management, programs in operation, responsibilities or staff.

The Housing Authority of the City and County of San Francisco is unique in its leadership position in the State of California and has been recognized by the Federal Government as such through its designation of San Francisco as the bonding agent for every housing authority in the State with the exception of the Authority in the City of Los Angeles.

It is ironic that the Review should recommend that the Civil Service Commission conduct a classification and pay study of the Housing Authority at this particular time.

The Authority in 1969 did contract with the Civil Service Commission for such a survey and utilized data and recommendations from the Study for our present classification plan. Since that time, we repeatedly attempted to have the Civil Service Commission conduct an up-dated survey with no success. Letters making this request were addressed to Mr. Bernard A. Orsi, when he was General Manager, Personnel in 1974 and to his successors in the position, Mr. James F. Wurm in 1975 and Mr. John J. Walsh in 1977.

Each General Manager in succession stated he did not have the staff to devote to a Housing Authority survey.

In November of 1977 the Authority circulated a request for proposals among private personnel consultants and awarded a contract for a complete position classification study and salary survey to Public Personnel Consultants.

This study was completed in June and results have been turned over to the Authority. Recommendations contained in the survey have not been implemented as of the present time.

May 17, 1966

Mr. Louis B. Ambler, Jr.
Regional Director
Public Housing Administration
450 Golden Gate Avenue - Box 36027
San Francisco, California 94102

Dear Mr. Ambler:

For your information we are enclosing notification of action taken by the Personnel Committee of the Commission of this Authority.

We have forwarded a copy of this notification to the individual unions whose members are employed by this Authority as well as Mr. Daniel F. Del Carlo, Secretary-Treasurer, San Francisco Building and Construction Trades Council.

Very truly yours,

Eneas J. Kane
Executive Director

9

NOTIFICATION OF ACTION TAKEN BY THE PERSONNEL COMMITTEE OF THE COMMISSION OF THE SAN FRANCISCO HOUSING AUTHORITY

On January 25, 1966 Commissioners Bigarani and Boswell, members of the Personnel Committee of the Commission of this Authority, and staff members met with the Housing Committee of the Building Trades Council to discuss this Authority's maintenance program and working conditions thereunder. It was agreed that the Authority should henceforth abide by the specific provisions of the respective Union Agreements and that these provisions would be reviewed by this Authority.

The Personnel Committee of the Commission met with staff on May 6, 1966 to discuss the hours of work and fringe benefits which will be effective on the 1966 anniversary date of the various Union Agreements. Staff was instructed to comply with the provisions of the agreements as they apply to hours of work and payments into the Pension funds. These will be presented along with stipulated hourly rates on or before May 31, 1966 to the Public Housing Administration's Labor Relations Officer, for determination.

Therefore, all maintenance employees shall be paid at their respective approved hourly rates for each hour worked. The Authority will contribute to the Union Pension Funds at the rate provided in the agreements for all new maintenance employees hired after the 1966 anniversary dates of each agreement. All present maintenance employees will continue to participate as members of the State Employees' Retirement System; no payment to the Union Pension Funds will be made for them.

MAINTENANCE EMPLOYEES

EMPLOYMENT AND PLACEMENT

RECRUITMENT

Recruitment of maintenance employees shall be in accordance with the provisions of the respective Union Agreements.

CLASSIFICATION, PAY AND FRINGE BENEFITS

Shall be determinated by the Housing Assistance Administration, Regional Office, San Francisco, in accordance with Section 215 of the Annual Contributions Contract.

HOURS OF WORK AND WORKING CONDITIONS

Shall be in accordance with the respective Union Agreements.

EMPLOYEE BENEFITS

All maintenance employees shall be provided safe, sanitary, and healthful working conditions and shall be covered by:

State Unemployment Insurance Fund

This is a fund established to afford protection for those unemployed but able to and available for work. The Authority pays a tax on gross wages and salaries into this fund as prescribed by State Law.

Unemployment Compensation Disability Fund

A State approved plan to afford financial benefits to Authority employees who are unable to work because of "non-compensation" injury or sickness.

The employee pays a percentage of prescribed portion of his annual salary for this purpose.

FINDING

Mismanagement on the part of the San Francisco Housing Authority resulted in the loss of two point eight Million ($ 2.8) in HUD funds to construct sixty (60) units of scattered site public housing in the Western Addition in 1976, and at least two point four ($ 2.4) Million has been lost through inflation cost increases in the Target Projects Program between 1976 and 1978.

SFHA RESPONSE*

CAL 1-26, a Public Housing Project for large families planned for sites scattered throughout the Western Addition on Redevelopment Agency land was under consideration by the San Francisco Housing Authority since 1967.

The San Francisco Housing Authority expended extensive time and effort in attempting to develop these needed large family units. In January, 1969, the Development Program for this (then proposed) two-hundred (200) Unit Project was submitted to HUD at a cost of six million, two-hundred and twenty thousand, seven-hundred and sixty-seven ($ 6,220,767) dollars or thirty-one thousand, one hundred and four ($ 31,104) dollars per unit to include a one-thousand four-hundred and fifty ($ 1,450) dollar land cost. Upon advice of the local HUD Office, the Development Program was revised and resubmitted April, 1969 to reflect a cost reduction on the assumption that "rock-bottom" bids could be obtained. The total development cost of this Program was five million, nine-hundred and thirty thousand, four-hundred and seventy-six ($5,930,476) dollars or twenty-nine, six-hundred and fifty-two ($29,652) dollars per unit.

Unofficial responses from HUD were not encouraging. Congressional approval of statutory room cost increases resulted in a resubmittal of the Development Program February, 1970. This resubmitted Development Program, (per HUD's suggestion), was based upon ninety (90) units and had a TDC of three million, eighty-nine thousand, three-hundred and thirty ($3,089,330) dollars, or thirty-four thousand, three-hundred and twenty-five ($ 34,325) per unit with a one-hundred ($ 100) Dollar land cost. The statutory room cost in the Development Program was five hundred ($ 500) dollars per room below the newly established maximum. Again, the responses from HUD were not encouraging.

It was not until August 28, 1970, that HUD officially:

(1) Notified the Housing Authority that HUD Central Office disapproved the Project as submitted.

Response of the Bureau of the Budget:
*Refer to our response on page 3 of the SFHA summary.

(2) Directed the Housing Authority to "go turnkey" with the Project.

(3) Recommend splitting the Project in two increments:

(a) One for ninety (90) Units.

(b) One for one hundred and ten (110) Units.

(4) Stated that HUD would discontinue processing an alternative plan the San Francisco Housing Authority submitted on August 25, 1970.

During this sixteen (16) month period, various administrative plans were suggested to bring the cost down; the last one being to combine part of the family project with a proposal for Senior Citizens to decrease the average unit cost. Such a program was submitted August 25, 1970 to include ninety-nine (99) units for Senior Citizens and ninety (90) units for families with an average cost of twenty-nine thousand, seven hundred (29,700) dollars per unit.

The Housing Authority followed HUD's direction to pursue this Project under the "Turnkey" Program. The Request For Proposal was written and properly advertised August, 1971. The developer was selected on January, 1972 and, after several months, it became evident that he was unable to perform as per contract. December, 1972, the SFHA recommended to HUD that the contract with the developer be terminated and that the Authority be authorized to proceed with his architect under the conventional program. HUD approved this request.

New schedules were prepared and the Housing Authority proceeded with the development of the Project with an anticipated construction start for the Summer of 1973.

At this point, a new HUD requirement administered the coup de grace to the Project. This new requirement was that HUD cannot approve a Project "where a financial feasibility analysis indicates that routine operating expenses will exceed an average of eighty-five (85%) of the achievable dwelling rent during the first five (5) years of project operation." It was unfortunate that this requirement was imposed at a time when the Housing Authority was beginning to "see daylight" with this Project.

The new HUD requirement of not approving funds for new public housing unless the Housing Authority could show the financial feasibility of operating the project for five (5) years without any operating subsidy put all Housing Authorities in the larger urban cities (including San Francisco) in the position of not building public housing.

About the same time the Nixon Administration in Washington, D. C. declared a Moratorium on further construction of any HUD-subsidized housing, including public housing.

The Moritarium was declared in January of 1973 and continued until the implementation of the provisions of the Housing Act of 1974. Following the reactivation of public housing under the Housing Community Development Act of 1974, HUD had continued the restriction of requiring a new project to operate without operating subsidy for it's initial operating period. With the federal statutory restriction of charging low-income families more than twenty-five (25%) percent of their adjusted income for rent, it is impossible to operate public housing, particularly for large families in the Western Addition of San Francisco, without operating subsidy.

Hud's response to this problem was to get approval of the City and County of San Francisco to sign a contract to cover the deficit in the project operations until such time as the project would be eligible to obtain HUD-operating subsidy. SFHA did not feel the City was prepared to provide such a guarantee to underwrite a project deficit, and as a result, the project was stopped by mutual consent between the SFHA, the City, and HUD. HUD policies and actions were completely responsible for the loss of this project and not in any way due to mismanagement on the part of SFHA.

The Nixon Administration Moratorium in 1973 caused a shifting of construction activity for most Authorities to modernization program rehabilitation work.

In addition to the TPP allocations (originally submitted to HUD in April, 1975) SFHA has been active in implementing FIVE (5) Phases of Modernization, CD '77 and '78 Funding and NIIP work, EDA I and Title II. The Budgets for these additional activities totalled over fourteen million, four hundred thousand ($ 14,400,000) Dollars. The number of units upgraded in varying degrees city-wide total five thousand, four hundred and twenty-two (5,422) or virtually every family project in the City.

This activity has been going on both prior to and concurrently with the TPP Program. Technical staff positions have increased by only two (2) persons and one (1) clerical person during this time.

In spite of these HUD-imposed delays which were related to HUD's indecision on the Demolition Plan for TPP, thirty (30) units have been rehabilitated for which we have received a Design Award and thirty-two (32) additional units are nearing completion.

We are scheduled to go out to bid for two-hundred and six (206) units in July and an additional two-hundred and twenty-four (224) units in August barring any further HUD-caused delays, which will mean approximately nine million ($ 9,000,000) dollars under contract in September 1978 for the TPP only. This fully commits all available TPP Construction Funds.

Regarding "Rehabilitation" the report contains inaccuracies of statistics as well as distortions of facts as they pertain to the actual progress of the TPP.

In April, 1975 the initial amount requested by the Housing Authority was fourteen million, eight hundred and twenty-three, twenty ($ 14,823,020) dollars some one-hundred and fifty thousand ($ 150,000) variation of the figure stated. The "Technical Development Cost" was actually one million, thirty-five thousand, eight hundred ($ 1,035,800) dollars. This included approximately five hundred thousand ($ 500,000) dollars for outside architectural and engineering consultants.

The reference to the so-called "scaled-down budget" submitted the following year was merely an informal submittal to HUD for their comments on the use of the Construction Management concept. HUD in fact, did not agree that this was an appropriate approach to the program. It should be emphasized that during this period, architects were, in fact, beginning preliminary work on all five (5) TPP projects. It should also be noted that no mention was made of HUD's partial approval to the original budget which constituted considerable delay in the progress necessitating a delegation to go to Washington to "lobby" for additional funds to complete the total package. The Authority was successful.

The Housing Authority architects were directed to assess the total needs in every project with the intention of placing these needs into a priority system. The resulting estimates did exceed approved funds. At this point, the determination was made to change the original concept of very moderate rehabilitation to comprehensive rehabilitation.

The HUD Area Office agreed with this approach in November, 1976 and made a commitment to support the concept of comprehensive rehabilitation pending available funds. The April 1977 proposal included rehabilitation of one thousand and thirty-one (1,031) units. It was never formally rejected by HUD.

In 1977 at the request of HUD's Area and Regional Offices a revised proposal was sent to HUD - Washington - which included the demolition of four-hundred and thirty-one (431) units. This also has not been formally rejected or approved due to HUD's inconsistent policy on major demolition.

In June, 1978, again with the HUD Area office's support, a new revision was submitted which will result in the rehabilitation of four-hundred and ninety-two (492) units. We expect approval of this budget; assuming HUD is finally willing to make a decision.

It should be pointed out that our Software Program (although originally intended to work in tandem with our construction program) of necessity, had to continue on schedule. This was based on the fact that more than nine-hundred (900) families had to be relocated and the social service and relocation activities had to continue in order for the construction programs to even begin. This basic policy decision was concurred in by HUD, and, in fact, our TPP Software Program is basically on schedule.

FINDING

Audit of Housing Authority funds have not been conducted in accordance with State Law and deficiencies disclosed in a prior HUD Audit of the Housing Authority have never been corrected. Further, pertinent budget data of the Housing Authority is not made available to operating managers.

SFHA RESPONSE

The report is correct in stating that State Law calls for an annual audit of all funds of a Housing Authority not subject to audit by a Federal Agency, at the expense of the Housing Authority, by the State Department of Finance, or, at the option of the Housing Authority, by a public or certified public accountant.

The past practice in accordance with the State law with respect to whether or not the State Department of Finance would audit or whether the Housing Authority would have to expend operating funds to have it done, was for the State Department of Finance to advise San Francisco Housing Authority that their department would not have the staff and time to conduct the audit at San Francisco Housing Authority.* The Authority would then proceed to submit names of public or certified accountants that could perform the audit.

During the past year the San Francisco Housing Authority did receive advice that the State Department of Finance could not conduct the required audit, and a request for San Francisco Housing Authority to proceed with an independent private auditor.

San Francisco Housing Authority submitted the name of Calvin Swinson who was approved and did proceed. Mr. Swinson did report that San Francisco Housing Authority needed to supply additional documentation of transactions and internal control procedures before he could complete his audit. In the meantime, Mr. Swinson closed his local office and moved east. San Francisco Housing Authority has recently been advised that Mr. Swinson had sold his San Francisco business to another local audit firm who would continue with the audit of the SFHA miscellaneous fund and would be in touch with the Housing Authority shortly.**

The audit finding regarding use of miscellaneous funds which were used to pay amounts in excess of the amounts allowed by HUD are Housing Authority-owned funds and can be expended in accordance with instructions from the Board of Commissioners to the Executive Director in the form of resolutions.

Response of the Bureau of the Budget:

*The audit is paid for by the SFHA whether done by the State Department of Finance or an independent Certified Public Accountant.

**Mr. Swinson stated that he attempted to obtain this additional documentation prior to his moving over a period of several weeks, but such documentation was never provided.

The fact that certain costs are paid for by utilization of the miscellaneous fund rather than through use of project funds approved by HUD does not in and of itself make the expenditure of those funds improper. Many housing authorities have a certain amount of non-federal funds which are not subject to HUD regulations. HUD itself recognizes that fact.

HUD only allows its project funds to be used in ways that directly benefit the operation of housing development. Their definition of legitimate use is narrow and does not encompass such necessary categories as lobbying, entertainment and travel pursuant to legislative needs. Possession and utilization of non-federal funds for these purposes is widely seen as an advantage to local housing authorities.

Housing authorities are very much affected by legislation passed by the Congress in Washington and by the California legislature. Such legislation can affect the amount of operating subsidy a housing authority receives, allocation for new construction and modernization funding and development of new programs a housing authority can utilize to provide housing opportunities for the economically disadvantaged. HUD regulations do not permit housing authorities to spend federal funds in the advocacy of programs which vitally affect their viability and the lives of their residents. Thus, use of local funds for this purpose becomes a necessity.

Non-federal funds are also used to contact duly elected officials in the Congress and State government who can assist the Housing Authority in obtaining additional funding or in obtaining the release of funds that have been held up by the HUD Central Office.

It is true that these local funds should be audited on an annual basis. The Housing Authority, by arranging to have an audit conducted by Mr. Swinson, clearly recognizes that fact. The new administration in the Housing Authority has been quite busy correcting the items such as this which may have been overlooked.

In connection with audits of HUD funds, the report is in error in stating that audit exceptions have not been satisfactorily corrected. The last HUD audit was reported on February 19, 1976 and covered the fiscal year ending September 30, 1974. The audit exceptions resulting from that audit were reported with HUD requirements stated for correction. All audit exceptions were cleared in writing by HUD.*

The San Francisco Housing Authority cannot be responsible for HUD performing its audits on a timely basis. This agency has been burdened with certain accounting difficulties. However, they are being corrected on a timely basis.

Response of the Bureau of the Budget:
*Reference to audit exceptions has been eliminated from our report based on written clearances from HUD which were provided.

In 1977, the Housing Authority spoke with the HUD Area Office about the audit requirements and the selection of a private certified public accounting firm to perform the audit. The Housing Authority was told by a HUD official that since we were then in the middle of a fiscal year, an audit should be arranged for the period ending September 30, 1977, which would thus allow everything to be brought up to date.

The HUD audit staff had to prepare a reconciliation of the general fund before the audit could begin. The Housing Authority was thus advised to delay entering into a contract with a private CPA firm until the reconciliation had been performed. The Housing Authority made numerous contacts with HUD to insure that the reconciliation took place promptly and also began negotiations with the CPA firm prior to the actual reconciliation. The Housing Authority had also been told by HUD that it was impractical for the CPA firm to begin their audit until the reconciliation was completed.

Deficiencies found in all previous audits are now in the process of being corrected, and responses will be made to the appropriate people in HUD regarding these responses.

The reported finding that budgets are not available for use by operating managers within the Authority is not appropriate or applicable to the San Francisco Housing Authority method of operating. Project Area Managers do not have management control or financial control of projects within their area.*

San Francisco Housing Authority is a centralized operation with management control directly from the Executive Director, through Department Chiefs to the residents of the projects. For example, Project Managers are not involved with taking maintenance work orders or getting them completed. Maintenance services result from direct contact with the Maintenance Department by the tenant. The completion of maintenance work orders is directly from the Maintenance Department to the tenant.

This is also true with other resident services including social problems and complaints. The project management staff are requested to provide input to budget preparation since they are in a position to observe project needs from their daily travels throughout the projects. Project Managers are familiar with personnel and other resources that are budgeted to cover their needs.

The above is in keeping with a long standing policy of the Department of HUD that Management, Maintenance and Financial operations of Housing Authorities will be established on the basis of a consolidated annual contributions contract between the PHA and HUD.

Response of the Bureau of the Budget:
*Refer to our response on page 4 of the SFHA summary.

The consolidated method of operating does not provide for individual project budgets or accounting. HUD policy has been that by consolidating budgeting and financial operations, savings can result in staffing due to less accounting and budgeting functions.

Regardless of HUD policy to the contrary, the San Francisco Housing Authority has been moving to computorize budgeting and accounting on a "Project Based System" that will provide San Francisco Housing Authority and other local agencies the required additional budget and financial data for following performance goals and other operational analysis needs.

FINDING

Although HUD has provided $1 million to the SFHA for the purpose of paying the City and County of San Francisco payments in lieu of taxes, the Authority has refused to convey these funds to the City. If the Authority were to comply with the Annual Contributions Contract with HUD, the City would receive annual revenues of $200,000 from the Authority and $1 million for obligations from prior years.

SFHA RESPONSE*

The report findings are in error in understanding the source of funds to cover the amounts computed as payable to the City and County for payments in lieu of taxes. HUD does not provide funds to pay PILOT, nor do they consider PILOT amounts owed in their approval or allocation of operating subsidies to the Housing Authority. HUD allocations and approvals are completely based on an arbitrary funding proto-type formula (Performance Funding System) that gives no consideration to whether PILOT is owed or, if owed, whether it is paid to the local governing agency. The source of funds to pay PILOT is from the low rental amounts paid by low income families occupying the public housing units. The formula and basis for computing PILOT is to determine the portion of dwelling rent that is paid by the tenants that is equal to 10% of the shelter portion of the rent charged, not including allowances for utilities that are included in the rent payments. It is important to understand that the amount to be deducted from the rent payments is based on the "shelter portion of the rent" that is due and charged, and is not based on the portion actually paid by the tenant. In other words, San Francisco Housing Authority has to collect the entire amount owed before any funds are available to use by San Francisco Housing Authority for either PILOT payments to the City, or for other operating expenses. Therefore, it should be clearly understood the payments of PILOT to the City and County come out of low income family rent payments, and not from HUD.

The Cooperation Agreement between the City and County of San Francisco and the Housing Authority requires the City to contribute City and County municipal services to all public housing projects on the same basis as for other residents of the City and County. This includes such items as street cleaning and repairs to dedicated streets in the San Francisco Housing Authority projects. It also includes sewer cleaning and storm drain flushing. It also includes the services of the San Francisco Police Department.

Response of the Bureau of the Budget:
*Refer to the response on page 5 of the SFHA summary.

This finding gives no consideration to the fact that the Housing Authority annually is forced to expend hundreds of thousands of dollars on services that, under the Cooperation Agreement between San Francisco and San Francisco Housing Authority, should be the sole responsibility of the City and County. The total cost to San Francisco Housing Authority in the past five years has exceeded $1 million.

There are, for example, 25,185 feet of dedicated public right-of-way in or adjacent to 43 developments owned and managed by San Francisco Housing Authority. Due to a lack of service by the City and County, San Francisco Housing Authority has been forced to assume responsibility for street cleaning and repairs on these public thoroughfares at an annual cost of $147,835 for a five year total of $739,179.

Although no exact breakdown on sewer cleaning is available, it is estimated that $40,551 has been spent on labor alone in connection with sewer cleaning and storm drain flushing under accepted streets during the past five years.

The Housing Authority Police Unit receives an average of 195 calls per month, in addition to 85 calls per month to back-up the San Francisco Police Department. Two officers and vehicles respond to each call. The total over a 5 year period for these functions are $654,975.

Over and beyond the fact that San Francisco Housing Authority is spending substantial operating funds to cover municipal services that should be performed and paid for by the City under the provisions of the Cooperation Agreement, the fact remains that the arbitrary funding formula of the Department of HUD in providing operating subsidies is so inadequate that substantial services to tenants have had to be deferred. Deferred maintenance services alone would require over $50 million to correct. The arbitrary funding by formula, rather than by budgeted line item needs, has gone on for over eight years. When the San Francisco Housing Authority got in bad financial condition approximately eight years ago, due to the arbitrary funding support by HUD, the Authority by necessity elected to defer tenant services rather than become completely financially insolvent. At the same time, the Authority determined that, until HUD realized the shortcomings of their arbitrary funding formula to provide operating subsidies to the Authorities, it was better to defer amounts owed the City and County for PILOT and use that money to provide as much additional services to tenants as was possible. Since the tenants were providing the rental payments that included amounts owed for PILOT, it was the feeling of San Francisco Housing Authority that at least a minimum level of maintenance and other services should be provided in return.

It should be noted that the current Secretary of HUD recognizes the shortcomings of the current HUD funding system, and has just issued a Research Grant to have the whole system fully evaluated and changed as needed to better meet the needs of Housing Authorities to provide a higher level of services to tenants and meet their other operating costs, including PILOT owed to Cities.

FINDING

The San Francisco Housing Authority has not been collecting its delinquent rents in a business like manner. In February, 1978, these delinquencies total $901,743. San Francisco Housing Authority's collection losses per unit per month exceed the comparable losses of Los Angeles and Sacramento by 354% and 222% respectively.

SFHA RESPONSE *

The allegation that the San Francisco Housing Authority has failed to establish and carry out a firm rental and collection policy, which in turn has resulted in high collection losses, has no basis in fact.

The following facts will clearly show the major effort being implemented by San Francisco Housing Authority to improve collection of both rents from tenants in occupancy as well as reduction of balances owed by former tenants.

1. DELINQUENT RENTS DEBIT BALANCE

The report cited delinquent balances as being $893,791 as of September, 1977 and $901,743 in February, 1978.

The figures quoted are inaccurate and misleading in that they represent past debits, do not show decreases since that date and currently, do not represent actual active debit balances, do not differentiate between active and vacated balances, and do not distinguish between rent and charges debits.

Over $485,000 of this debit is composed of accounts of vacated tenants, i.e., tenants who have moved out, or moved without notice from S.F.H.A. residency, owing delinquent balances. Two Hundred Forty Thousand Dollars ($240,000) of this debit may be directly traced to a massive rent strike and eviction moratorium during the two year period, 1966-1968. Although legal action was initiated on these accounts, the fiscal ramifications are still being felt.

Of the total delinquency alluded to as "active and vacates", approximately $185,000 are charges (and not rent debit balances), which present state law precludes the Authority from suing for in an eviction action. Under our new lease, Management will now be able to recover rent as well as charges.

The present actual debit amount of Authority active rent accounts is approximately $219,000, once charges are deducted. This figure represents a decrease (in terms of rent and charges) over the past four months of $60,000, or $15,000 per month. This progression, when projected over twelve months, would yield a gross decrease in debits of $180,000. In the last four months the collection percentage for the entire Authority has averaged 98% on current months rent, and all active overall debits have been down.

Response of the Bureau of the Budget:
*Refer to the response on page 5 of the SFHA summary.(report page 84a)

II. POLICIES AND PROCEDURES FOR RENT COLLECTION

Complete and comprehensive policies and procedures for collection of both active and vacated accounts were developed in 1973 and updated in 1976. These procedures were implemented in this office and in the Project Area Offices, commencing January 1977. They have been consistently updated and adhered to rigidly.

III. PROJECT DEBIT GOALS ACHIEVEMENT PROGRAM

A series of debit goals, to be achieved each month, have been established for each Project Area Manager. These goals are based on a desired rate of collection for each project, each month, over and above the monthly rent roll.

Achievement of goals is continually monitored by the Office of the Chief of Management, with particular focus and emphasis placed on immediate action on accounts with the largest delinquent balances.

IV. CHANGES IN COLLECTION POLICY VIS A VIS LEGAL PROCESS

In order to facilitate more effective collection, changes have been instituted in policy prior to and during the period in which legal action on an account is initiated.

Once an account becomes delinquent, every effort is made by Project Management to persuade the tenant to enter into a Delinquent Payment Agreement, to eliminate arrearages. These agreements are structured so that a payment of 1½ times the dwelling rent is received each month, until such time as the account returns to a zero balance.

Both this office and Project Offices work closely with Department of Social Services on behalf of public aid recipients who have difficulty in paying their rent in a timely fashion. If a direct payment of rent from the welfare grant appears to be necessary to preclude delinquency, a modified payments arrangement is encouraged and effected, with the tenant's consent, to the extent this is possible under state law and federal regulations.

Once legal action has commenced and a judgment on a delinquent account has been granted by the courts, S.F.H.A. insists that the total amount of arrearage be satisfied forthwith, in order to preclude eviction of the tenant.

V. IMPLEMENTATION OF NEW LEASE *

Implementation of the Authority's new dwelling lease, effective August 1, 1978, will assist immeasurably in reduction of delinquent account receivables, by virtue of the fact that viable methodology for rent collection and elimination of arrearages are built into the contract between tenant and Authority.

Among other features, this lease mandates as a condition of tenancy, that any tenant with an arrearage amounting to 1½ times a month's rent, must sign a Delinquent Payment Agreement, or have legal action initiated for eviction. Provision for a monthly late charge is included if rent is not promptly received.

In addition, any payment made is applied to the oldest balance due on the account. The "Oldest Balance" policy allows the Authority to collect maintenance charges, etc., on an account, inasmuch as under present state law, only rent may be sued for in an Unlawful Detainer action for eviction.

VI. IMPLEMENTATION OF IN-HOUSE COLLECTION AGENCY

In response to the over $485,000 debit in vacated accounts and an unsatisfactory collection performance record by an independently contracted collection company, the Authority has terminated its relationship with this organization and aggressively commenced the development and implementation of its own computerized, in-house collection agency. This agency, staffed by an attorney and other personnel with credit and collection backgrounds, has begun active pursuit of vacated accounts.

Concomitant with the development of the aforementioned system, policy mandates that no public housing applicant with a delinquent balance derived from a prior Authority residency, may be rehoused until that prior balance has been paid en toto.

VII. TENANT SELECTION

Utilization of tenant selection criteria as mandated and based on the 1974 Housing Act yields a cross-section of tenants which contributes to a stable Project Area community. This in turn acts as a catalyst to more effective rent collection on account receivables.

Response of the Bureau of the Budget:
*While the new lease does improve the SFHA's legal position during evictions of tenants, the old lease did not preclude the SFHA from collecting its rents when due.

VIII. EVICTION OF NON-PAYING TENANTS

The report articulates the fact that the Authority must adhere to a firm policy of eviction of non-paying tenants.

Over 1,000 Unlawful Detainer actions for non-payment of rent have been filed by this agency since the commencement of its fiscal year, October 1, 1977. Of these actions, over 10% have resulted in the unfortunate circumstance of eviction. Initiation of these actions has resulted in approximately 25% being displaced as a result of moves without notice, etc., after filing. The Housing Authority, as a public agency, is not unaware of its responsibilities or its alternatives in the matter of rent delinquency.

However, 85.2% of San Francisco public housing families are Aid For Dependent Children (AFDC) recipients. These families are on the rock bottom of the economic income spectrum in this city. An overwhelming majority are headed by one parent. A policy of wholesale evictions (as the auditor's report appears to recommend) would be unwarranted, insensitive and wholly inhumane, particularly in San Francisco, a city in which the total vacancy rate in terms of dwelling space for an individual or family on any income level, is less than 2%.

The Authority presently and in the future will continue to maintain an equitable balance between basic human compassion and a healthy respect for its fiscal integrity in the area of rent delinquency.

FINDING

"Although the Housing Authority spends in excess of $600,000 annually to purchase materials, the Authority does not have adequate control over its material and supply inventory. Purchasing Management deficiencies have persisted despite HUD audit finds in 1971 and 1976 to correct inadequate control over its material and supply inventory".

SFHA RESPONSE

The San Francisco Housing Authority long recognized the need for a central operations facility. The Housing Authority had applied to HUD for funding for such a facility when modernization funding was first authorized by the Federal government. Because of the great amount of time which elapses between submission of a modernization program application to HUD and the execution of an Annual Contributions Contract providing the funding, the Housing Authority's request was grossly inadequate due to the accelerated rate of inflation. Hence, the Housing Authority was unable to provide a central operations facility until the Egbert Street site became available at a reasonable price. We now have the ability, thanks to the acquistion of this facility, to centralize and control inventory.

During the two year period since the facility has been utilized by the Housing Authority, modifications of the area to be devoted to the store room have been carried out and the major part of supplies and materials are now housed in that facility. The modifications which are nearly completed provide for the security of the supplies and materials by limiting access to and egress from the store room.

The 1971 HUD audit finding on lack of materials control was cleared by HUD when the then Chief of Purchasing instituted a manual system of inventory control. Following his departure from the Housing Authority in 1974, the system was abandoned with the result that control was lost.

The present Chief returned to the Housing Authority in August of 1977. During his absence, the Housing Authority, through HUD funding, acquired computer capability. Therefore, the present Chief, upon his return, immediately began to develop a system of inventory control utilizing data processing equipment.

That system has been tested and problems which appeared are being resolved. Full implementation should occur by the end of this year. This system will not only provide a perpetual inventory and a report to department heads showing supplies and materials charged to their departments during the month but will also be tied to a system of work order control.

A physical inventory of supplies and materials was taken on September 30, 1977.

The procurement policy of the Housing Authority requires that all purchases including those paid for by petty cash be supported by documentation whether it be an invoice, a contract or a receipt (in case of petty cash payments). This procurement policy is being adhered to by all Housing Authority employees. As you know, we supply funding to various tenant groups in accordance with HUD policy. The tenant groups often make purchases themselves for special events from funds supplied by petty cash. They are required to submit receipts and in practically all cases receipts are submitted. The receipts for these purchases are still available for examination.

REPORT FINDING

In comparison to other Housing Authorities, the SFHA pays excessive salaries. Further, SFHA pays its Executive Staff Non-HUD allowable monthly automobile allowances from its Miscellaneous Fund which is not subject to HUD Audit.

SFHA RESPONSE *

The Report alludes to the fact that SFHA operates as an independent agency, administered by a Commission, appointed by the Mayor without confirmation by the Board of Supervisors. It is further indicated that the independent status of SFHA has allowed its executive staff members to receive excessive salaries.

The fact is that the status of SFHA as an independent agency has no bearing on the actual salaries paid to the Executive staff or other salaries for all of SFHA.

Salaries of Executive Staff, along with other personnel policies of SFHA and salaries of other employees, are set in accordance with Section 307 of the Annual Contributions Contract between the Department of Housing and Urban Development and SFHA. Such Section in the A.C.C. reads in part as follows - "The Local Authority (PHA) shall adopt and comply with a statement of personnel policies comparable with pertinent local practice. Such statement shall cover job titles and classifications, salary and wage rates for employees--".

Salaries of Executive Staff are set in accordance with the above, by comparability with Executive positions in the City and County of San Francisco including consideration of the salaries paid by the Redevelopment Agency. The determinations of comparability are based on analysis of approved position descriptions in the City and County structure, positions are detailed in operating budgets approved by the SFHA Commissioners by Board of Resolution, are approved and audited by the Department of HUD and are the subject of periodic professional review by the City Civil Service Commission or by private Personnel Consultants retained for the specific purpose of conducting classification and salary survey of all positions in SFHA. A recent independent classification and salary survey was completed on the proper classifications and salaries for SFHA Executive Staff and all other SFHA staff.**

The Board of Supervisors report advises that a review of budgets filed with HUD indicates that SFHA executive compensation exceeds comparable salaries in other large California Housing Authorities. As stated above, if the salaries of the Executive Staff of SFHA were determined on the basis of salaries paid in other Housing Authorities in the State or in the Nation, SFHA would be in violation of the annual contributions contract between the Authority and the Department of HUD and would be subject to being cited for breach of contract with HUD.

Response of the Bureau of the Budget: See page 118a

Response of the Bureau of the Budget:

*Our report has been clarified on pages 40 and 42. Further, refer to page 6 of the SFHA summary. (Report page 85a)

**Though requested, this report has not been made available. Therefore, the SFHA has not provided this information as it relates to executive salaries.

The Board of Supervisors report also alludes to the independence of the SFHA as a reason for executive staff to receive special monthly automobile allowances not allowed by HUD. It is further reported that SFHA uses a Miscellaneous Fund (local funds) to pay for special automobile allowances not allowed by HUD. The fact is, that HUD does allow flat monthly allowances to reimburse employees for use of personally owned automobiles on official business for the Housing Authority. The use of a flat monthly allowance policy, as approved by HUD, must be based on local government practice and the allowance must be checked at least every six months to ensure the allowances are in keeping with the actual amount of official use made of the vehicle.* Whether or not HUD would find the special monthly automobile allowances paid to Executive staff, as allowable for funding from HUD approved funds, has not been requested. Since any HUD funds, even if allowable, for payment of automobile allowances, could otherwise be used to increase the level of maintenance or other services to the residents of SFHA properties, it has been the policy of SFHA to continue to pay automobile allowances from the non-tax supported miscellaneous fund, whether or not HUD would find such cost as allowable from their funds.

It should be mentioned that SFHA considers the general policy in the City and County of San Francisco to pay employees 18¢ per mile as reimbursement for driving personally owned automobiles on official business, as excessive to the actual cost of operating the size and type of the majority or personally owned automobiles in the City and County. A cost benefit analysis conducted by SFHA has indicated that it is much more efficient and cost beneficial to SFHA to purchase compact or mid-size automobiles and require employees to drive SFHA owned fleet vehicles, than to pay the 18¢ per mile allowed under City policy. Only in the absence of availability of a SFHA Fleet automobile, will SFHA policy permit driving personally owned automobiles at the City approved rate of 18¢ per mile.

With respect to the special monthly allowances paid to executive staff, it was determined by cost benefit analysis that the amounts paid were less costly to SFHA than the purchase and assignments of SFHA owned fleet cars to the executives. This is based on the fact the furnishing of fleet cars for executive use includes all costs of upkeep, including maintenance, gasoline, oil, tires, insurance and miscellaneous expenses, while, in the case of the flat monthly allowance method, the owner pays for all operating costs of his automobile including insurance, gasoline and all other costs of owning the vehicle including depreciation.

Response of the Bureau of the Budget:
*The flat monthly allowance policy is not based on local government practice.

Each member of the Executive staff who receives the special monthly allowance is on call 24 hours a day, every day of the year. It is the responsibility of each such person to respond to an emergency situation regardless of where he or she is at the moment. The Authority further discourages the use of fleet vehicles by executives in certain project areas during the evening hours. This policy was adopted after it was ascertained that fleet vehicles were more likely to be chosen as targets by snipers or vandals than vehicles that did not have "E" license plates.

FINDING

The Executive Staff and Commissioners of the San Francisco Housing Authority expended over $ 43,000.00 for out-of-town travel in 1977. Based on travel costs of other Housing Authorities (Sacramento and Oakland), the SFHA travel costs are excessive.

SFHA RESPONSE

The reported comment questioning the benefits received in relation to the cost of travel, is unfortunate when there is no indication of an analysis of actual benefits received. For example, it is a generally known fact by local government leaders, including the Mayor, Commissioners and key staff members of the Redevelopment Agency and the Housing Authority, as well as the tenant leadership involved with the Housing Authority, that substantially additional funding (over $7,000,000) was approved by the Department of HUD to increase the level of Modernization and Rehabilitation of the Hunters Point Projects, as a result of one trip to Washington, D. C., to meet with the HUD Secretary.

Another recent example of a major benefit of travel by Housing Authority staff and Commissioners, involved the approval of the Departments of G.S.A. and HUD to make the Inchon Village, former Navy Housing Project at Hunters Point, available to the Housing Authority for acquisition and resale to low and moderate income families in the form of condominium home ownership. The approval of the Inchon Village acquisition by the Housing Authority would never have been accomplished without the benefit of travel of SFHA Staff and Commissioners to meet with representatives of the Headquarters Offices of the Federal Agencies involved, and with Members of Congress who gave their support to this major achievement by SFHA.

We also consider it unfortunate and improper to attempt to compare travel costs of various Housing Authorities as any reliable measure of what the costs should be for any particular PHA. It is a fact that the larger PHAs could normally be expected to have more need for travel out-of-town to deal with more complex issues involving the need for contacts with State or Washington, D. C. Agencies or individuals including contacts with Congressional representatives. In this connection, it should be recognized that SFHA has approximately twice as many dwelling units to operate than either Sacramento or Oakland Housing Authorities which were used in the report as having less travel costs than SFHA.*

Response of the Bureau of the Budget:
*We believe the comparisons made in our report are valid and we have provided additional data from the City and County of Los Angeles.

It should be pointed out that SFHA has taken a leadership position in national housing affairs to the benefit, not only of San Francisco, but to all housing authorities throughout the country. Both Commissioners and Executive Staff hold key positions on national committees involved with public housing policies, as well as serving on Boards of Directors for national housing agencies that are dealing with issues that are vital to the success of public housing throughout the country, including San Francisco.

This includes serving on Boards of Directors, Housing Task Forces, and Committees for such organizations as NAHRO, National Housing Conference, National Tenants Organization, and the National Leased Housing Association. The benefits of participation in these programs far outweigh the modest cost of travel involved with attendance at national meetings.

The Report also infers that SFHA spends more for travel time than is approved by the Department of HUD in travel budgets. It should be pointed out that HUD does not approve a travel amount in any budget that is reviewed by them. The amount mentioned in any particular budget for travel is only an estimate of the amount that Staff and the Commissioners have indicated as a probable estimate prior to the start of a fiscal year. The total allocation or approval of HUD of operating funds for a PHA is related to an arbitrary funding formula (known as a Performance Funding System) which has no relationship whatsoever with any line item cost that is mentioned in an operating budget other than a few controlled accounts. Travel cost estimate in an operating budget is not a controlled account and is not subject to HUD review and approval. The travel cost is part of a controlled total cost for all Administrative expenses.

Regardless of the fact that HUD does not review or approve travel budget amount, SFHA actual expenditures for travel for the last fiscal year were far below the estimated budget amount for the entire conventional public housing program operated by SFHA.

All travel of SFHA Commissioners, Counsel and the Executive Director for out-of-town purposes is reviewed carefully at public Commission Meetings, with the benefits to be obtained from all travel thoroughly considered, before travel approval is given by the Commission.

SFHA considers the out-of-town travel by Commissioners, Counsel, Staff and tenants as very beneficial to the Housing Authority and to the City and County of San Francisco in comparison to the cost of the travel. SFHA will continue to plan for the essential travel needs in advance of budget submissions to the Department of HUD, and to control travel to the minimum considered necessary for efficient but responsible SFHA operations.

FINDING

We conclude that housing and urban renewal can be delivered more efficiently, effectively and more economically with a combined Community Development Agency placed under the administration of the City's Chief Administrative Officer.

SFHA RESPONSE

The purpose of the San Francisco Housing Authority is to provide decent housing for those of low income through conventional public housing developments or a leased housing program. It's clientele are those without resources and without power of influence. The Housing Authority has become, to the best of it's ability, the spokesperson for these people and has provided many of them with decent housing at a reasonable cost and has continually tried to develop additional housing opportunities for the poor.

That is the sole purpose of the Housing Authority. The functions of the Redevelopment Agency are very different as is the Agency's clientele. Therefore, the Housing Authority disputes the finding that the services it provides to its special clientele could be more efficiently, effectively, and more economically in a combined agency.

Two very dissimilar entities, each with no expertise in the other's area, would be combined. That could only lead to greater waste, lack of direction, and failure to properly serve the clientele of either of the two agencies being combined.

The Housing Authority has a long history of service in providing low-cost housing to the economically deprived of San Francisco. Since its inception in 1938, the Housing Authority has constructed some forty-three (43) housing developments for both families and senior citizens. These developments contain seven thousand, one hundred and thirty-two (7,132) dwelling units. There is a sizeable demand for these units as the Authority's waiting list numbers some five thousand, nine hundred and twenty-seven (5,927) families and the single elderly.

The Housing Authority, since 1966, has also administered a Leased Housing Program serving the needs of the low income by subsidizing their rent in privately-owned dwellings. The original Leased Housing Program, Section 23, is now being phased out. It originally accounted for one thousand, one hundred and fifty (1,150) units.

Nine hundred and eighteen (918) are still occupied. The Housing Authority has been allocated nine hundred and eighty-one (981) units of Section 8 housing. Section 8 is gradually replacing the Section 23 Program and the Housing Authority will receive one unit of Section 8 housing for each unit of Section 23 previously granted it.

The Housing Authority has also received a one hundred and ten (110) unit allocation of Section 8 housing from the California Department of Housing and Community Development to be used to house the physically disabled, the emotionally handicapped and the developmentally disabled. Of the latter allocation, forty (40) units are leased to date. Of the general Section 8 allocation, five hundred and sixty (560) families are in place.

The figures cited in the preceding paragraph clearly demonstrate the extent of the Housing Authority's progress in serving low income San Franciscans and the depth of the need. Plans are also underway to construct three hundred and sixty-eight (368) new units of conventional public housing and forty-two (42) units of Section 8 new construction. Construction efforts had been stymied by the 1973 Nixon Administration freeze on the construction of subsidized housing; the Housing Authority is now taking advantage of new allocations made since the freeze was lifted.

The Housing Authority has a role in the development and construction of housing for the low income. In that way, its role is similar to that of the Redevelopment Agency. However, the Redevelopment Agency generally handles housing for those of moderate income and its role lies in site acquisition and clearing. It then conveys land to non-profit and limited dividend sponsors, in the area of subsidized housing, for development. It does not actually construct the housing which the Housing Authority has often done.

After the housing it handles is constructed, the Redevelopment Agency has a very limited oversight role. It performs no management function. It's role in housing management is limited solely to renting dwelling units it has acquired on land that will eventually be cleared for new construction.

The Housing Authority (on the other hand) is a permanent manager of Public Housing and Leased Housing Units. It is their owner and their manager. To fulfill this role, the Housing Authority performs complicated maintenance and management functions; and also supplies much-needed social services and counseling activities to its low income residents. In these functions it has proven expertise, based on forty (40) years of experience.

The Redevelopment Agency has a major role in the acquisition and disposition of real estate and a major engineering requirement. The Housing Authority plays no role in the former and it's engineering requirement is minimal.

The Redevelopment Agency rehabilitates agency-owned property and administers rehabilitation loans to private parties. In this area, the Agency deals with either unoccupied or privately-owned dwellings. When the Housing Authority deals with rehabilitation, it concerns the occupied dwellings which it both owns and manages. The Redevelopment Agency in this case serves private owners; while the Housing Authority serves its own low income residents.

The Redevelopment Agency performs a great deal of its work in conjunction with the business community. It serves a constituency with a powerful voice and a great deal of influence. The Housing Authority serves a powerless clientele whose influence over Agency policy and performance would be considerably diluted in a combined Agency. Authority residents are now represented by two (2) Tenant Commissioners out of a body of seven (7). In a combined Agency, that numerical ratio would also be diluted to the detriment of the views and rights of public housing residents.

There are other fundamental differences between the Housing Authority and the Redevelopment Agency which would mitigate against the success of a combined Agency. One area of difference is funding. Public Housing continues to receive categorical, independent funding from the Department of Housing and Urban Development. The Redevelopment Agency is the recipient of Community Development Block Grant funds. The Housing Authority receives specific funding, allocated directly, for payment of debt service, operating subsidy, new construction and modernization.

Funding for the Redevelopment Agency and the Housing Authority come from two separate troughs and in fact are monitored by two distinct departments of the Department of Housing and Urban Development.

Finally, each Agency is governed by distinct Sections of the United States Housing Act, as amended, and distinct Sections of the State of California Health and Safety Code and of the San Francisco Administrative Code.

A separate Agency devoted to the provision of low-cost housing to the City's poor can and does provide greater efficiency, greater concentration of direction and greater attention to the specific needs of the poor.

It also possesses greater technical expertise in Housing Management and Services and a Staff specifically geared to carry out those functions. The Agency is independent of other constraints on its time and purpose and is allowed to be oriented solely to the critical issue of housing for those outside the economic mainstream. In a combined Agency, these many benefits would be lost or considerably reduced. Between the Housing Authority and the Redevelopment Agency, there are almost no overlays of jurisdiction or service. This is critical to remember. A merger would only create an administrative albatross that would dilute effective service to the people of San Francisco.